

103
SOUTH AFRICA: SINCE THE HISTORIC ELECTIONS

Y 4. F 76/1: AF 8/36

South Africa: Since the Historic El...

HEARING
BEFORE THE
SUBCOMMITTEE ON AFRICA
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
SECOND SESSION

OCTOBER 4, 1994

Printed for the use of the Committee on Foreign Affairs



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SOUTH AFRICA: SINCE THE HISTORIC ELECTIONS

TUESDAY, OCTOBER 4, 1994

**HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON AFRICA,
*Washington, DC.***

The subcommittee met, pursuant to call, at 3:15 p.m. in room 2172, Rayburn House Office Building, Hon. Harry L. Johnston (chairman of the subcommittee) presiding.

Mr. JOHNSTON. I will call the meeting to order. You all know about my obsession with starting on time, and I apologize. We are playing games over there with all kinds of procedural motions. In fact, I will just file my opening statement as a matter of record.

[The prepared statement of Mr. Johnston appears in the appendix.]

Mr. JOHNSTON. Mr. Moose, you are on.

STATEMENT OF HON. GEORGE MOOSE, ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS, DEPARTMENT OF STATE

Mr. MOOSE. Thank you very much, Mr. Chairman. It is a pleasure to be here today especially and to share some of the views of the administration on progress in South Africa. Mr. Chairman, I think we all shared the elation of South Africans at the inauguration of President Mandela in May.

President Mandela's State visit this week gives us an opportunity to celebrate that historic event and to recognize the historic leadership and statesmanship that made it possible. It also allows us to affirm the excellence of the relationships that our two countries enjoy and to reaffirm our support for South Africa's transition.

The goodwill that was generated by the orderly nature of the elections in April and by the smooth transition continues in South Africa, and polls show that an impressive three-quarters of all South Africans, both black and white, are solidly behind President Mandela's leadership. National reconciliation efforts have been remarkably successful. The Government of National Unity incorporates representatives of the African National Congress, the national party, the Inkatha Treaty Party and one independent, the new Finance Minister, Minister Chris Leibenberg.

Notwithstanding its excellent beginning, this new government faces enormous challenges. First, the governmental reorganization is proving to be a major undertaking, one that is affecting the gov-

ernment's ability to carry out social and economic development programs.

Developing a harmonious relationship between new political leaders and the existing civil service is another key challenge. And at the provincial level, moving the country from 4 provinces and 10 homelands to 9 new provinces, all but two within new borders; a task that is proving even more daunting.

To address pressing societal inequalities, the Government proposes, has proposed the reconstruction and development program, the so-called RDP. The RDP is a blueprint for development-incorporating objectives for jobs, for housing, electrification, health and education. The budget for this year sets aside some \$700 million for the RDP. The Government has already initiated programs providing for free medical care for pregnant women and for children under 6, school lunches, and a variety of public works programs.

Success in meeting the RDP's objectives, however, will depend most on economic growth. The economy in South Africa continues to recover from the recession of the last several years, but there are signs that inflation may be rising again, and imports are growing, partly as a result of the demands of the reconstruction and economic recovery. Unemployment in the formal sector still hovers around 45 percent. The economy clearly needs high rates of growth over a sustained period to reduce unemployment and increase living standards for all South Africans.

South Africans have also expressed concern over the pace of foreign investment. Nevertheless, some 70 U.S. companies have either returned to do business in South Africa or have made new initiatives. Much of this activity is still in sales and services rather than in capital investment, and 4 months after such a tremendous transition, it is understandable perhaps that some foreign businesses continue to adopt a wait-and-see attitude.

Labor unrest may have had some impact on the pace of investment, particularly foreign investment, but there are other factors as well. The array of foreign exchange controls is an inhibition to the free flow of capital. To its credit, the Government has committed itself in principle to eliminating these controls, but it is moving with understandable caution to avoid possible capital outflows and the possible sudden depreciation of the Rand.

I should stress that we, like the South African Government, view these matters as challenges to be addressed and not as insurmountable obstacles. In any current balance sheet, the performance of the new government has been impressive, and in the economic sphere as in the political arena, there is no substitute for leadership, and as we have seen, leadership is a commodity with which the new South Africa is very richly endowed.

Despite its pressing domestic concerns, the new South African Government under President Mandela's leadership has taken a leading role in regional peacekeeping and peacemaking. Together with the Presidents of Botswana, Zimbabwe and Namibia, President Mandela succeeded in convincing Lesotho's monarch to rescind an order dismissing a democratically elected government.

Similarly, vital efforts were undertaken to facilitate UNITA's acceptance of the U.N. position or package on national reconciliation

in Angola, and in Mozambique. South Africa is providing critically important assistance to the elections.

U.S.-South African relations are excellent. Our special relationship is an outgrowth of the important contribution that the United States and the American people made to the antiapartheid struggle, and our continuing support for the transition process.

As you know, President Clinton announced in May the enhanced Trade, Aid and Investment Package for South Africa, and my colleague, Mr. Hicks, will expand further on USAID's program in South Africa. I would simply note that this package also contains innovative trade and investment programs by the Overseas Private Investment Corporation, the Trade and Development Agency and the Department of Commerce, among others.

South Africa is an African success story in the making. Many times during the transition process nay-sayers predicted a vision of civil strife. Each time through negotiations and consensus-building, South Africans forged ahead. Now, it is most urgent to create the functioning local and provincial governments that can deliver the housing, clean water, electricity, schooling and primary health care promised to the electorate.

As we welcome President Mandela today, we also affirm our intention to assist South Africa to forge a nonracial democracy that will stand as a model to Africa and to the world. Thank you, Mr. Chairman.

[The prepared statement of Mr. Moose appears in the appendix.]

Mr. JOHNSTON. Thank you very much, Mr. Secretary. Mr. Burton, I filed my statement, but I will probably read it later and I noticed you have an opening statement, if you would like to make it now.

Mr. BURTON. Mr. Chairman, I think I will follow your lead. We are going to have a number of votes on the floor because it is going to be a very busy day and I think I would like to get to the questions of the panel, if possible.

[The prepared statement of Mr. Burton appears in the appendix.]

Mr. JOHNSTON. Mr. Hicks, the Ambassador has to leave shortly so we are going to allow him to play through, so if you would like to start with Ambassador Moose, Mr. Burton.

Mr. BURTON. Actually, most of my questions are for Mr. Hicks, but maybe I can ask you if the State Department is aware of AID's program entitled, a term that they are using called "disadvantaged majority" in the context of South African AID program.

I have been told, and it has been reported in a number of newspapers, that AID has decided that the AID monies that are going to South Africa are to be used almost exclusively for black entrepreneurs and likewise, entrepreneurs in the United States that do business with South Africa are going to be utilizing AID money almost exclusively and they are going to be black.

One of the things that concerns me is that we all were against apartheid. We had different approaches to solving that problem, but we were all against it. It seems to me that if you discriminate against a white minority now by not allowing AID to use their resources to help them as well, and you show only support for the black entrepreneurs over there, that is exactly the thing that we have been trying to get away from.

You have a multiracial democracy over there; it seems to be going well. I had lunch today with Mr. Mandela, along with a few hundred other of his closest friends, and I was very impressed with what he had to say and I think he is doing a good job. But this kind of attitude by AID, if that is the case, is wrong-headed and heading in the wrong direction. I would like to know if the State Department is aware of it, and have you exercised your right to express your opinions to those in the administration and at AID about it?

Mr. MOOSE. Thank you very much, Congressman Burton. I do believe there has been a great deal of misunderstanding about AID's programs and certainly Mr. Hicks will be able to address them in greater detail. But one of the key purposes, and I think it is important both from a political point of view, as well as an economic point of view, is to provide access to both capital and to expertise to those parts of the South African economy and society that were not able to benefit under the apartheid system, and that is critically important if indeed the people who have been kept out of the system over the years are to feel a stake in that society as well as to have a chance to benefit by the new opportunities that have been created. That is not an exclusive purpose by any stretch of the imagination.

I would not even characterize it as a racial purpose. Because the intent, again, is to provide assistance to those who in the past have not had access, either to capital or to assistance or to services of the government.

I, again, would simply say, yes, indeed, we are aware that that is an objective. We have supported that as an objective. We think it is a critical, important objective, if indeed South Africa is to create a society in which all of its people feel that they are benefiting and have a stake.

Mr. BURTON. Well, let me read on to you a—I have a number of them, but I won't read them all, I will just read one. This is an article that was in the Sacramento newspapers. It says, "It is therefore of more than a passing irony that the U.S. Agency for International Development has decided to make race a decisive factor in the awarding of contracts and grants to implement its 3-year, \$528 million assistance program, 'Opposed To Apartheid South Africa.'"

According to internal AID documents, it is now the policy of the U.S. Government that the portion of South Africa funding that is not channeled directly to South Africans, over a third last year and said to rise, should be passed exclusively to African-American contractors and not subject to free and open competition. That is on this side of the ocean.

If you read Wall Street Journal articles, back in I—let's see, we have September and August, in fact, here is an article that was today in the *Washington Times*.

The indications in those articles are that that is the policy of AID, and while I think that the most disadvantaged people in South Africa are going to be the black citizens over there, because they have been deprived, I do not believe it should be a policy of this Government to be—to give exclusive aid to just the blacks

alone over there. And to put anything like that into the policy of AID is just wrong.

It certainly sends a message that is exactly the opposite that this Government sent when we said we were opposed to apartheid and wanted a multiracial Government over there and real democracy. And so I appreciate what you are saying, Mr. Secretary, but the evidence that we have before us is overwhelming that AID's position is that they are going to deal exclusively, or almost exclusively, with black businesses as far as AID support is concerned, likewise on this side. And that being the case, I hope that you will carry the message of at least one Member of Congress back that we want the last vestiges of apartheid on either side of the race issue removed, and that includes AID here in this country.

Mr. MOOSE. Thank you, Congressman Burton. Again, I would defer to my colleague Mr. Hicks to address the details. I don't think that the characterizations in those articles are indeed accurate in terms of either the intention or the policy of AID. But perhaps, given the importance of this issue, if I could ask Mr. Hicks if he could comment.

Mr. HICKS. If I could, Mr. Chairman.

Mr. JOHNSTON. Please, Mr. Hicks.

Mr. HICKS. Congressman Burton, I certainly share some of your concerns, and it is indeed a shared goal to support a nonracial democracy in South Africa. Of course, Ambassador Moose is exactly correct when he states that the intent of our assistance program is to support the disadvantaged, those who have been victimized for decades by a brutal, racist apartheid system in South Africa, which have denied them the benefits of economic growth and the wealth of that society.

Now, having said that, Congressman Burton, the accusations made in those articles, in our view hardly represent anything that should be considered conclusive, and in fact, they are accusations that are untrue. This is the point I made in a letter to the *Wall Street Journal* last September.

[The information referred to appears in the appendix.]

If one takes a close look at the assistance that we have provided to South Africa, in terms of the intermediaries that we have used to deliver these assistance programs, which have included white-led groups as well as black-led groups, you will see that the accusations are just flat wrong.

Mr. BURTON. Are you familiar, Mr. Hicks, with Harry Johnson, not Harry Johnston, but Harry Johnson who was with AID?

Mr. HICKS. We shared a long career together within the agency.

Mr. BURTON. So you know what he has said about this.

Mr. HICKS. I know him, and I know the letter.

Mr. BURTON. Well, but I would like for you to respond to what he has said if you get a chance, because he has said very flat out that that is the case and that is the attitude of AID.

Mr. HICKS. And I am saying very flat out, Congressman, that is not USAID policy and that is incorrect, and an examination of the facts and the record will clearly establish that.

Now, as it relates to working with African-American groups, it is a clear policy of this Government and the Agency for International Development to include groups covered under the Gray

amendment. That includes African-American and other minority groups, women, PVO's, historically black colleges and universities, in the international development work of this agency. This is a policy we try to implement not only in South Africa, but worldwide. These organizations hardly receive the lion's share of our aid. They receive a small portion. An examination of the record will bear that out.

Our policies of working with historically black colleges and universities have been embodied in initiatives by two Republican Presidents and the present Clinton administration.

Mr. BURTON. We are on limited time, Mr. Hicks. I am aware of the background that you are talking about. I am sorry to interrupt you. Let me just say what I would like to suggest so that you are talking about now and in the past. Mr. Johnson's allegations were that this is going to be the policy for the \$528 million that is going to be spent over the next 3 years in South Africa.

Let me just say, what I would like in order to eliminate any doubt, and I will take you at your word. I would like for the AID to send us a list of all of the agencies and all of the groups that are getting—and all of the businesses that are getting assistance through AID, both here and abroad, during the next 3 years so that we can take a look at them and make sure that what you are saying is accurate.

I am not discounting what you are saying, but we would like to be able to police that, if we could, to make sure that there is fairness in AID monies going to South Africa and to businesses here at home, so there is really no discrimination on either side of the ledger.

Mr. HICKS. Our grants process and other awards are a matter of public record. All of the invitations are advertised in the Commerce Business Daily. We follow an open competitive process unless non-competitive procedures are used, and when they are, they are used according to the terms of the law.

Mr. BURTON. Mr. Hicks, unfortunately we don't have the opportunity, because of the myriad of pieces of legislation we are dealing with on a regular basis, to go through all of these periodicals to check that out. So what I am asking is that AID send that to this committee and to this member in particular so that we can police it. That is all I am asking. You are going to publish it anyhow, send it to my office so we can track it. OK?

Mr. HICKS. We will be pleased to share that information.

Mr. BURTON. Thank you very much.

Mr. JOHNSTON. Before you get away, let me clarify that, Mr. Burton. Do you want a list of the consultants and the recipients, both in Washington, that are directed toward South Africa and those in South Africa? The reason I ask is how can we tell if they are black or white South Africans from the list?

Mr. BURTON. I guess it would be kind of difficult, but I think we can ferret that out. We can take a look at it and ferret that out. I just want to have a list for our records so we can make sure there is no discrimination on either side.

Mr. JOHNSTON. OK. I am going to continue because I think I can miss the motion to table the motion to reconsider the motion of the former motion.

Mr. BURTON. Mr. Chairman, before I leave, would it be possible to put Mr. Johnson's letter in the record so we have it.

Mr. JOHNSTON. Yes. Without objection. That is without a T, Mr. Johnson.

[The information appears in the appendix.]

Mr. JOHNSTON. Let me go back to—I know, Ambassador, you have to leave shortly. What are the major threats to the cohesion of the Government of National Unity today?

Mr. MOOSE. I think at the moment we have been impressed by the degree of cohesion in that government, in the fact that President Mandela has reached out not only to the parties that participated in and won a substantial percentage in that election, but others as well.

Again, I think the key issue for South Africa over the next 5 years, over the next decade, will be the response to the social inequities, the legacy of social inequities in South Africa itself and the strains that that creates on the society and its ability to meet the expectations of those elements of society that have been disadvantaged seriously under the apartheid system.

President Mandela has been, I think, circumspect and cautious in telling his constituents that these problems are not going to be solved overnight. Nevertheless, it is understandable that those expectations are out there and that they are real. I think the challenge that we and other friends of South Africa face in this period is to try to find the appropriate mechanisms and instruments for assisting the government to carry out the programs and the policies that it has outlined.

We regard the reconstruction and development program to be a realistic document, a realistic grouping for how South Africa—the direction South Africa needs to move in in order to meet those expectations. The South Africans, themselves, understand that that package, in order to be actionable, has to be broken down into components that can be dealt with, both by donors, as well as by the private sector.

They have proposed the convening of a meeting in South Africa early next year to which they intend to invite both the international donor community as well as the private sector. In fact, they have asked us whether we would play a role in trying to help organize the private sector component of that. And I think that is where we in this country, given our expertise and our experience, may have an important contribution to make, in assisting the South Africans and taking that development program and breaking it into the components, the packages that will be attractive to the private sector, both in terms of investment and to our major companies in this country, which are able to carry out those activities in South Africa.

Mr. JOHNSTON. How firm is the participation of the Inkatha Party in the mix?

Mr. MOOSE. Of the participation of the party as a party, it was determined by their outcome in the elections.

Mr. JOHNSTON. Yes. But I mean are they resigned or do they accept that?

Mr. MOOSE. Our understanding, and, again, we don't have access to the actual internal workings of the cabinet, but the functioning

of the cabinet, the deliberations within the cabinet we understand have been harmonious, constructive and basically productive. It is a process that does require the building of consensus, but we have seen that process work in a number of specific areas, particularly the all-important development of the Government's budget for the coming year, a contentious issue in most Governments, but nevertheless they were able to come up with an agreed budget to present to the parliament for consideration, and moreover, they were able to reach consensus on the RDP as the boot print for the country's development.

Mr. JOHNSTON. Last question. As you know, in the post-Somalian period here, both the United States and the United Nations are very reluctant to get heavily involved in Africa again, Rwanda being the minor, minor exception.

Do you see South Africa participating in peacekeeping movements or getting involved with the OAU or SADC at all?

Mr. MOOSE. The South Africans themselves have indicated that they believe they do have a role to play in regional and international peacekeeping. But they have also said, and I think rightly so, that their first priority is to carry out the integration of the former liberation armies into the armed forces of South Africa, a new South African defense force. And secondly, beyond that, to carry out a wholesale restructuring of that South African defense force.

Once that integration is completed, the South Africans have estimated that they will have a military establishment, which is about two-and-a-half times as big as they need or can afford. So their first priority has been on the restructuring, the reform of the armed services, before they get into major international engagements or commitments.

Frankly, from our point of view, we are anxious to see them focus on that agenda, because I think it is critical, both to the security issue in South Africa, as well as to their economic performance in the future. But I do believe, I think we are all convinced that South Africa can play a significant role, both within the region and internationally in international peacemaking and peacekeeping.

Mr. JOHNSTON. I did say last question, but I do have one more. That is, the impact of the personality of President Mandela himself, how critical is that to the operation? And I will be very frank, none of us are endowed with immortality, and I have always been told that the next level is very strong, but how strong are Mbeki and Ramaphosa?

Mr. MOOSE. It is a very difficult question to answer. There is no question that President Mandela's leadership and statesmanship has been the glue that has brought this whole process together. But it is also true that this is a country which is endowed with great leadership across the spectrum. From Deputy President Mbeki on the one hand, and de Klerk, on the other, people of enormous experience and talent, and people who have shown, through their behavior, their performance over the last several years that they are, in fact, committed to the vision of a democratic, nonracial South Africa.

I think I would have to say, as the Secretary said at lunch today, that the making of this transition could not have been done solely

by the efforts of one man alone. There were a lot of people, a lot of institutions, a lot of organizations that made it possible, and I think that gives me confidence that this transition for the next several years will go forward, that it can—that its progress is as assured as any political process that we can talk about.

Mr. JOHNSTON. That is interesting. I heard on National Public Radio this morning that among the white population, Mandela rates higher now than de Klerk.

Thank you very much, Mr. Ambassador. I know you have to go, and I appreciate your taking your time out today.

Mr. MOOSE. Thank you, Mr. Chairman. I appreciate it.

Mr. JOHNSTON. And incidentally, I notice you condensed your testimony. It will be put into the record in full. And Mr. Burton's opening statement, if that is all right.

Mr. JOHNSTON. OK. Mr. Hicks, you are on.

STATEMENT OF HON. JOHN HICKS, ASSISTANT ADMINISTRATOR FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. HICKS. Thank you, Mr. Chairman, and good afternoon. As our Nation hosts President Nelson Mandela on his first visit to the United States as President, it should remind us of the hope and potential that exist for the continent of Africa—the theme struck by your hearing on Africa successes last week. I believe the United States can take real pride in the pivotal role we have played in helping a democratic South Africa become a reality.

On May 5, President Clinton announced a \$600 million package of U.S. economic assistance to the new Government of National Unity, \$528 million of which will be provided through USAID. Mr. Chairman, I am honored to appear before you today to briefly describe what has been achieved in the decade of U.S. assistance to South Africa and what we are doing to implement the assistance program announced by the President.

Our assistance helped lay the foundation for the democratic transition that South Africa can now consolidate and build upon. My written statement, Mr. Chairman, provides details of accomplishments and impact in our program areas of human rights, basic and tertiary education, private sector development, housing and election support. As noted by Assistant Secretary Moose, the task of reconstruction before the new government is enormous, and very ambitious objectives have been set under the Reconstruction and Development Program (RDP).

We have worked closely with the new government to assure that our expanded program of assistance is fully supportive of the priorities and objectives of the RDP. I am pleased to report that design and implementation of the expanded program is progressing well.

Since the President's May 5 announcement, we have obligated \$212 million for various programs in governance, education, health, and for private sector housing guarantees which will ultimately finance housing for 100,000 disadvantaged South Africans.

Strengthening democratic governance will be an important focus of our post-election program. In fact, the first USAID grant signed with the government last month was for a \$9 million governance program with the Ministry of Justice. USAID funding will also be

used for training new government officials to increase majority representation, the elimination of apartheid policies and programs and strengthening local, nongovernmental organizations to train community groups and to enhance their participation in the RDP.

We are also providing support to maintain the engagement of all political groups in the democratic process. And in recognition of the fact that democratization is an ongoing process, USAID is continuing to support the electoral process and local elections scheduled for 1995.

Years of apartheid have resulted in the almost total exclusion of the majority of South Africans from the modern economy. There also is an alarming degree of alienation among a generation of youth who have been deprived of education and job opportunities. In addition, there is a critical shortage of housing, electricity, and other urban infrastructure.

To address these needs, USAID is supporting programs for microenterprise activities as well as other initiatives. Grants to U.S. and South African private voluntary organizations are being used to identify and channel technical assistance to South African microenterprise, as well as historically disadvantaged South African businessmen and professionals.

USAID also has initiated job skills training to support a training center for basic and advanced construction skills. In addition, we will provide financing and training for housing activities through housing guarantees mentioned earlier and through a community and urban services program.

Mr. Chairman, of all of the injustices of apartheid, none is more profound than the undereducation and restriction of educational opportunities for black South Africans. The inequalities resulting from years of inferior education will take decades to fully overcome. To address these legacies, USAID is providing continued support for the development and testing of alternative educational models at all levels. As you know, USAID is supporting the historically disadvantaged universities and technical training institutes through the \$50 million Tertiary Education Linkages Project.

In terms of health care, the disparities are stark, with social indicators among the disadvantaged population similar to those in other parts of sub-Saharan Africa.

USAID will continue support for HIV/AIDS awareness and education programs. But in addition, we are providing technical assistance to the Ministry of Health on epidemiology, planning, and maternal and child health. In fiscal year 1995, we will initiate a new health project which will provide assistance to the new government and to NGO's which have the capacity to deliver quality services in areas not fully served by the existing health infrastructure.

Until this year, the USAID/South Africa program was conducted solely through the work of local and U.S. nongovernmental organizations. As a result, the USAID mission has a strong relationship with the vibrant South African nongovernmental organization community.

You are all aware of the important role this community has played and continues to play in the transformation process in South Africa. The new government has also acknowledged the importance of the NGO community and has encouraged USAID and

other donors to continue working with these groups. Since the April election, USAID has been working closely with the new government and, as noted earlier, we have signed two new agreements with the government. While we expect that we will work increasingly with the government over time, we still anticipate that a substantial amount of U.S. assistance will continue to flow through the nongovernmental organization community.

As before, Mr. Chairman, I would like to underscore the need to strike the balance between assisting South Africa and the other countries in the region. In this regard, I wish to note our new Initiative for Southern Africa. An important component of this initiative is a \$100 million Southern Africa Development Enterprise Fund which will be available to all countries in the region.

Fund resources will support disadvantaged, small and medium enterprises which have lacked access to capital, especially long-term risk capital for startup investments and business expansion. The expansion of these small and medium enterprises will create jobs and increase incomes for poor population groups.

In closing, Mr. Chairman, I wish to thank you for convening this hearing today. You can be assured of USAID's continued support for the historic transformation to democracy and equality in South Africa.

[The prepared statement of Mr. Hicks appears in the appendix.]

Mr. JOHNSTON. Just a few quick questions, Mr. Hicks, because I do have to make this vote.

Is Johnson an African-American?

Mr. HICKS. No, he is not, Mr. Chairman.

Mr. JOHNSTON. He is white?

Mr. HICKS. Yes.

Mr. JOHNSTON. This letter is 6 months old, is it not, before the election?

Mr. HICKS. Yes, that is correct.

Mr. JOHNSTON. OK. That is all I have, Mr. Hicks. Thank you for coming.

We will be in a 10 minute recess while we impanel the second panel. Thank you very much.

Mr. HICKS. Thank you.

[Recess.]

Mr. JOHNSTON. Again, I apologize for the disruptiveness of today, if that is a word, but we are now on the motion to table the motion to reconsider the motion to recommit, and I am not kidding. That is exactly where we are. They do not want the California Desert Act to become law for fear that it might—I might as well be very partisan here, for fear it might help Senator Feinstein get re-elected.

On our second panel, we are very pleased to have the private witnesses today, Gay McDougall, executive director of the International Human Rights Law Group, who literally helped write a lot of the transition; Dr. Pauline Baker of the Aspen Institute, and Michael Christie of the South African Foundation.

Ms. McDougall.

**STATEMENT OF GAY MCDOUGALL, EXECUTIVE DIRECTOR,
INTERNATIONAL HUMAN RIGHTS LAW GROUP**

Ms. MCDOUGALL. Thank you, Mr. Chairman. Since the April elections, President Nelson Mandela and the Government of National Unity have begun the process of creating new political institutions and the mechanisms for fair and effective administration. No one expected this task to be an easy one. Apartheid has left a lingering aftertaste of economic and social disparity, corruption and resentment. The past few months since the election have brought a succession of strikes in major industries, a wave of landless people squatting on privately owned land, a rising crime rate, a dramatically reduced, but continuing, nevertheless, rate of political violence, growing xenophobia, triggered by an influx of illegal immigrants and regional power plays. The government, which is composed of primarily first-time public officials, is struggling to make its presence felt to effect change while at the same time learning to work as a cohesive unit, despite past differences.

There are actually two political processes to watch at the national level right now in South Africa. One is the functioning of the newly elected Government of National Unity, and the other is the drafting of the future constitution. The constitution under which Nelson Mandela was elected and inaugurated is only an interim document.

A primary function of the newly elected legislative body is to serve as a constitutional assembly to draft within a 2-year period the final constitution of the nation which will then be the basis for new elections in 1999. So that process is beginning.

While a number of acrimonious issues have arisen, the Government of National Unity, the National Assembly and the Senate have enjoyed a surprising spirit of cooperation. The new cabinet has approved a number of laws necessary to establish new institutions like the Constitutional Court and the Judicial Services Commission. The National Assembly has established a number of select parliamentary committees, and in a testament to the principle of reconciliation, the Chair of the Critical Defense Committee has been given to a member of parliament from the right wing Freedom Front Party.

The new government officials have an enormous task before them. The apartheid-based structure of the civil service and the delivery mechanisms of the government must still be transformed.

Newly elected provincial governments are having an even harder time than their national counterparts in grappling with the mechanics of government and the realities of South Africa's new Federal structure. In many respects, it is the provincial and local governments that will face the greatest challenges. Many premiers will have to deal with the legacy of mal-administration and corruption left by homeland administrations.

That KwaZulu-Natal Province, the matter of provincial government has been delayed by continuing disputes between the Inkatha Freedom Party and the African National Congress over the site of the capitol, the allocation of portfolios, and an investigation of hit squad activity within the KwaZulu police. But even they have found a process for working through their difficulties.

Distracting attention, however, from the provincial—the agenda of the provincial legislature is a mushrooming power struggle within the royal house of the KwaZulu Nation. The growing tension between King Goodwill Zwelethini and his uncle, who is now Home Affairs Minister, Mangosuthu Buthelezi has been the subject of much international media coverage. So I won't go into that now.

But I will say that while the nation is watching these events very closely, the good news I think is that so far, it has had minimal impact on the political process at the provincial or the national level. It has remained sort of a sideshow. But if the struggle turns violent, it may cause major problems and that would be unfortunate.

A new South African National Defense Force has been created from the combined forces of the army of the apartheid state, members of the military wing of the ANC and the forces from the four former Bantustans. The new government fully realizes the importance of having security forces firmly under civilian control and deemed legitimate by the population.

Steps were taken early after the inauguration to rehabilitate the image of the security forces and to gain their loyalty and commitment to the new order. So for example, the chief of the army under the old regime has been retained as the chief of the new national armory.

A critical element in the appeasement of the security forces is the granting of amnesty for illegal acts committed in defense of apartheid. The amnesty bill is now before parliament. It establishes a Truth and Reconciliation Commission that will investigate, reveal and amnesty "gross" violations of human rights committed between March 1960 and December 6, 1993. It doesn't cover those offenses that were committed during the run up to the elections.

The Truth Commission will have wide-ranging powers to investigate past abuses. Reparation will be made to victims or their relatives and amnesty will be granted to perpetrators whose acts had a "political object," as defined in the act, and who cooperate fully with the Commission. By bringing to light the extent of these violations, identifying injured parties and by compensating or making restitution to the victims, the Commission hopes to facilitate the national healing process and to prevent the reoccurrence of similar crimes.

Mr. Chairman, I know my colleague, Dr. Baker, is going to focus her comments on the economic matters, and will probably touch on the reconstruction and development program, so I won't comment on that.

I hope I am right.

Mr. JOHNSTON. She will now.

Ms. McDUGALL. I just want to close by saying that the most important measure of the performance of the new government is, of course, the assessment made by the citizens of South Africa. There was a Gallup poll conducted between mid-June and mid-July which concluded or reported that President Mandela received very high approval scores from the majority of black South Africans, as well as a dramatically improved rating from white South Africans. On a scale of zero to 10, urban black residents gave the President a 9.2 rating. His rating among white South Africans—

Mr. JOHNSTON. When was this poll taken?

Ms. MCDUGALL. This was mid-July.

Mr. JOHNSTON. OK.

Ms. MCDUGALL. His rating among white South Africans had increased since November of last year when it was 3.8 to currently 6.0. The President, President Mandela, said in his speech to the Nation marking the passage of his first 100 days in office, he spoke about how the Government of National Unity had been interacting and functioning, and he said, quote, "to present a facade of unity would be artificial, undemocratic and patently pretentious." However, he went on to assure the public that the government had brought together bitter enemies into a constructive relationship, close quote. That, Mr. Chairman, I think is a strong and propitious beginning for the new South Africa.

[The prepared statement of Ms. McDougall appears in the appendix.]

Mr. JOHNSTON. Thank you very much. The first hearing I held on South Africa on the Subcommittee on Africa, you had this huge chart as I recall. Did that all come to fruition, everything that you said that would happen on that chart?

Ms. MCDUGALL. Yes, it has so far. Of course, the transition is not complete. But all of the structures that they had planned for the transition process were established and did function and I think that they have really had a very successful transition to date.

Mr. JOHNSTON. Dr. Baker, I have to go vote in about 7 minutes, so I may have to interrupt your testimony again. We are getting closer to final approval of this bill.

Ms. BAKER. OK. I would invite Mr. Christie to go first, because I am doing an overview, so I think it would be more appropriate.

Mr. JOHNSTON. Mr. Christie, again, with the admonition I may have to leave in about 7 minutes.

STATEMENT OF MICHAEL CHRISTIE, DIRECTOR, SOUTH AFRICA FOUNDATION

Mr. CHRISTIE. Well, I will move it along as fast as I can.

I would just like to thank you very much indeed for the opportunity to testify this afternoon. The first time I encountered this committee I attended a hearing in 1971, and I do want to say how much I appreciate the sustained interest of this committee in the affairs of my country.

As far as the place of democracy in South Africa, Mr. Chairman, overall, it is working in South Africa. There are various reasons for this. We have had examples throughout the world of the failure of systems driven by ideology. The quite outstanding leadership at the moment, the statesmanship of Mr. Mandela has set the unifying tone for the whole country. But sound and cooperative leadership is also being demonstrated in other sectors, such as business and the churches.

This has given rise to a general consensus in the country. This consensus is coalesced around the goals of the government's reconstruction and development program and I, too, will be happy to leave the discussion of the details of that to Dr. Baker.

But I think that there are two points that I would like to make. While it remains in a sense a statement of intent rather than eco-

nomic program, the recent white paper reflects a shift from the sociological tone of earlier documents toward a stronger reliance on the principles of market economics. This is in line with the generally sensible approach that the government has adopted on economic matters. Most important of all, and I think this is a very important point, the white paper confirmed that the RDP will not be financed as an add-on to the budget, but as an outcome of the restructuring of government expenditures in a more disciplined and productive manner.

This has had the—certainly the goals of the program have been supported by just about all of the elements in the business community. The consensus is, of course, being driven by the recognition that we have no realistic alternative. But they are the more perhaps definable things and, having just returned from a fairly lengthy spell in South Africa, I was struck by the sort of intangible sense of enthusiasm in the country, a sense of teamwork and a desire to beat the odds, and I think that is a very real effect and it shouldn't be underestimated.

The past few years have given many South Africans the recognition that their goals are not dissimilar, and that there is a reverse of the assumptions of the past. The consequences that there is in the society across the board, in politics as well as in economic—in the economic sphere, really widespread consultation. Now, the questions that remains is, what is this producing and is it sustainable.

I think as far as the consultation is concerned is an example of it, it is not only within the Government of National Unity, but with the newly formed National Economic Development and Labor Commission, government, labor, business and grassroots political organizations such as the Civics will meet to negotiate on national issues, and right now, they are currently considering major new labor legislation. This process again appears to be working and appears to be a valuable one.

The consequence of this ongoing negotiation and consultation, I think one of the major consequences is the evolution and liberalization of economic policy on the part of the government. Nationalization has disappeared from the policy agenda, and privatization, once an anathema to the ANC, is now being actively considered in government circles. Government is implementing and even accelerating South Africa's GATT accession terms agreed to last year and in an act of remarkable political courage, trade and industry minister, Trevor Manuel, not only reduced import tariffs on textiles, but on automotive products at the height of an emotionally contested strike by auto industry unions. What we are witnessing is an ANC that previously criticized the business establishment from a Marxist perspective, now confronting it on the grounds of free market principles.

Mr. JOHNSTON. Mr. Christie, I am going to have to break in there because we have to go vote. I would like all three of you, though, to think about the proposition that Mr. Burton presented to Mr. Hicks, and that is if in fact it is true that all the money is going to blacks to the prejudice of whites, I think Mr. Moose addressed that pretty well as to, you know, 300 years of history. But is any

money going to the Indians? Is any going to the coloreds, and if not, why not? And I will be back in 10 minutes.

[Recess.]

Mr. JOHNSTON. Mr. Christie, anything further you want to add?

Mr. CHRISTIE. I think, yes. I will just skip a lot. I was going to say that there, of course, are problems in the society, and sticking to the economic theme, the government finances are not healthy. A lot of that was bequeathed, of course, but there has been a dramatic increase in the percentage of the Gross National Product. Government expenditures have risen from 33 percent to 41 percent over a period of 5 years. It is obviously too high.

We are running deficits in excess of 6 percent. The government has made a commitment to reduce that, and obviously this is something that will have to be watched. But it is not a healthy situation, and there is a tremendous necessity for financial discipline in South Africa, particularly in relation to the sort of social demands that are going to be made.

But there are just two points that I think I would like very much to highlight, is that they in a sense—I make the point that there has, of course, been this evolution in economic thinking, a lot of positive indicators, and that there are rewards for this. And the main reward has been that there has recently been a strong rise in domestic fixed investment of which around 60 percent is from the private sector. When it says this against the background that for a decade there was, frankly, not enough confidence in the economy both by domestic or foreign investors to maintain fixed investment. Capital projects valued at over \$15 billion are already underway, with a further \$10 billion in the planning stage.

The effect of this is that the current cyclical upswing in the South African economy differs from previous upswings in the important respect that rising fixed investment mostly from the private sector is leading the upswing rather than following it as in the past.

These are substantial commitments in an economy no larger, for example, than an economy of the State of Maryland and, therefore, represents a significant vote of confidence by South African investors in the new government.

And then the last point, this confidence was echoed only yesterday, and I think this is a particularly important event for us, when South Africa was awarded an investment grade rating from one major credit rating agency and a notation of a—with a positive outlook from another agency that withhold an investment grade rating until South Africa has established more of a track record.

This is good news, because in short, it will reduce the cost of borrowing, and therefore, the cost of running the country. There is a strong commitment within South Africa to have the split rating upgraded and a determination to build on the sound relationship that currently exists between the business community and those government ministers who are responsible for economic policy.

In conclusion—or my conclusion, Mr. Chairman, is that the progress that has been evident in South Africa since the election will be sustained.

Thank you.

[The prepared statement of Mr. Christie appears in the appendix.]

Mr. JOHNSTON. Thank you very much. Your testimony will be put in the record in full. Dr. Baker, and to all three of you, I am in somewhat of a squeeze time-wise. The Prime Minister of Zaire is sitting next door, and I have got to go there shortly.

But there is one question I would like all of you to address, and again, I apologize for the disruption this afternoon. There are a lot of observers who think that the ANC took office, but did not take power, and that the government is so diffused there, that they are protecting the white dominated bureaucracy that is still there in order to block change. Dr. Baker, could you address that?

Ms. BAKER. Yes.

Mr. JOHNSTON. And I would like all three of you to address it. I neglected Dr. Baker.

STATEMENT OF PAULINE BAKER, ASSOCIATE DIRECTOR, SOUTH AFRICA FOUNDATION

Ms. BAKER. My reaction to that would be that it is a predictable reaction, given the nature of the agreement that was struck during negotiations. That agreement did say that the civil service would remain in tact. So that one of the problems—I think Gay McDougall had mentioned it—is that they are dealing—you have a new government dealing with an in tact bureaucracy.

Moreover, the constitutional question has not been resolved about the devolution of power, that is the power of the provinces. So they are left with inherited civil services, inherited bureaucracies. Part of the agreement was no one would be fired; they could be transferred, but they wouldn't be fired, and this is part of the political cost I think of the reconciliation.

The real question is, does this existing structure prevent the new government from action? And I would say no, it may delay them, because the whole question of making decisions now is a combination of both working through that bureaucracy and the culture of consultation, which has been built up in South Africa where nothing is done until you consult with all of the interests.

Mr. JOHNSTON. The culture of consultation.

Ms. BAKER. And I think the culture of consultation has replaced the culture of confrontation in South Africa. So inevitably, there is going to be delays. But I would not translate that into saying they don't have power. I think they have very real power. And the fact that Mandela's approval rating has gone up so high, both among blacks and whites is an indication that people are looking toward him as the real power and like the way he is handling his job.

Mr. JOHNSTON. Ms. McDougall, what is your observation?

Ms. MCDUGALL. Well, I think that Dr. Baker's comments are right on the mark. I think that the question of the level of cooperation that the newly elected officials will get from the old civil service is still an open one. I know that they have been struggling with the question of affirmative action. Given the constitutional protections that the civil service has, it means that you are going to be working with that civil service for quite a long time. And in order to meet demands for affirmative action or gender balancing, all of those things that are, you know, central principles to the transi-

tion, are—the only way they will be able to do it will be to bring on new people into the civil service that is already considerably overstuffed and bloated. So that is a problem.

But you know, I fully agree. I think they have some real power, and I think that to the extent that there are blockages within the civil service, that they will find ways to overcome them.

I think, you know, there is still a little bit of a debate over what the constitutional protections of the civil service mean, in fact. And they have been able so far to free up 11,000 civil service positions that they can now fill with people who will make it a little more representative. But I think that they will be able to handle this, as they have handled fairly well so far, the police and the military. And I think that, you know, going into this process we all thought that there would be the tougher nuts to crack than even the regular civil service.

Ms. BAKER. I would just add to that, and I think it is a very important aspect, the security aspect. Really, the success story of the first 100 days is not only the reconciliation, but the fact that the transition in terms of the security forces has gone so smoothly, including the integration of the MK forces and other paramilitaries, and also to highlight the fact that power is in the hands of the new government.

I know for a fact that now Vice President de Klerk was very unhappy with the allocation of portfolios, including the fact that they did not get a single security portfolio. And now they are wrestling over other portfolios, namely intelligence and so forth. The fact that he is complaining about that does not seem to suggest that there has not been a transition.

Mr. JOHNSTON. Yes. Mr. Christie, briefly.

Mr. CHRISTIE. Mr. Chairman, I think in an objective sense, I wouldn't see that as a problem. There are, of course, limitations on power in South Africa. In our stage of development, I think that is a good and bad thing. I think there is some good elements about it.

But the essence of it is that there is such widespread agreement on the national goals that where the power lies or where it is divided I think is less material than if there were genuine deep-seated differences, and I think this is the core of my response.

Mr. JOHNSTON. On behalf of Mr. Hastings and Mr. Payne, they have been in meetings with Mr. Mandela and the Black Caucus this afternoon, or they would have been here. I am going to have to close the meeting now because of the press of other business, and I owe all of you an apology because of that. If reelected, we will get back together in January at lunch someday and discuss this in more detail.

Ms. BAKER. Good luck.

Mr. JOHNSTON. Thank you very much. The meeting is adjourned. [Whereupon, at 5 p.m., the subcommittee was adjourned.]

APPENDIX

Welcome. This afternoon in the Africa Subcommittee's last hearing of the 103d Congress, we again turn to the subject of South Africa. Just this morning, President Nelson Mandela arrived in Washington, D.C. for his historic state visit with President Clinton. It is timely, therefore, to assess developments in South Africa under Nelson Mandela's government of national unity. It is my hope that witnesses appearing before us today will highlight the successes and challenges that face the newly established nonracial democracy in South Africa.

It is an understatement to say that South Africa has come a long way over the last year. The landmark elections in April finally buried the heinous system of apartheid, alive in one form or another for more than 300 years. With the elections now over—facilitated and supported, I might add, by a superb U.S. Embassy and AID mission in South Africa—other daunting tasks remain.

The new South Africa must now contend with the problems of coalition government, the Constituent Assembly must write a new Constitution, and preparations must be made for the complexities of the upcoming local elections. The old police force and armed forces must be retrained and integrated to better provide for the nation's security. Furthermore, a fair land redistribution scheme must be devised. In sum, the entire apartheid structure must be reconfigured but within the constraints of compromise arrangements that call for stability and job security.

As many have predicted, the South African population will expect much of the post-apartheid government. Evidence that patience appears to be waning can be seen in recent walk-outs by striking workers. It will be a delicate operation.

Yesterday, Nelson Mandela's eloquent speech before the United Nations distilled South Africa's important needs into a desire for "bread and work." He called on the international community to provide support for the new South Africa. He urged support for trade and investment in South Africa and emphasized the themes of his reconstruction and development program.

These are reasonable requests and I am confident that the administration will continue to recognize the important role that South Africa will play in the world—both as an example of political reconciliation and stability and as a promising model of economic development. South Africa's value as a catalyst for Southern Africa and the rest of Africa is enormous.

In today's presentations, I look forward to hearing various perspectives on how South Africa will manage the task before it. More specifically, I would like to know from our witnesses what the appropriate role of the United States should be as South Africa pursues its long term goals of peace, stability, justice—and especially bread and work—for its people.

Witnesses appearing before us today from the administration are Assistant Secretary of State for Africa, George Moose and John Hicks, Assistant Administrator for Africa at AID. The second panel of private witnesses will be represented by Gay McDougall, executive director of the International Human Rights Law Group; Dr. Pauline Baker of the Aspen Institute and Michael Christie of the South Africa Foundation.

THE PREPARED STATEMENT OF HON. DAN BURTON

Thank you very much, Mr. Chairman. Like everyone else, I too am very pleased that things in South Africa appear to be going much better than expected. It was a great relief to all of us who care about events in South Africa that the various parties were able to agree on a coalition government that includes the National Party and Inkatha as well as the ANC. It is very gratifying that the parties to the long negotiations chose a prudent course of national unity.

It is also encouraging that the ANC, in the economic sphere, has abandoned many of its previous dogmas and appears to be pursuing a prudent, free-market course. We hope this course continues. South Africa was indeed very fortunate that the United States stood firm in the struggle of freedom versus the Soviet empire and prevailed. For many years, the ANC allied itself with the ideology represented by Soviet communism. Some of their actions since winning the elections in South Africa indicate that they have moved away from that discredited ideology, and we certainly hope that is indeed the case. The people of South Africa are very fortunate that the United States maintained its resolve and brought about the collapse of communism in Eastern Europe. For if this were not the case, we cannot be at all sure that the ANC would have abandoned their previous philosophy.

We truly hope that the pragmatism continues and that the transition to democracy thrives. I add my voice to those welcoming President Mandela on his current state visit, and I applaud his efforts to encourage private sector investment in South Africa. There is no question in my mind that South Africa can be a thriving, prosperous democracy, of great benefit to its own people and to the people of the entire region. It is a beautiful country with tremendous tourism potential. It is a country richly endowed with a plethora of precious resources and minerals. I have no doubt that South Africa can succeed by exploiting those resources. If they establish the right climate, and send the right message, they will benefit from massive international investment. It only requires that they continue to reverse the discredited and abominable ideology of the past, and refuse to go the way of corruption, greed, and tyranny that has been the scourge of so many of their fellow African states. It is my sincerest hope that they will do so, and that South Africa and the United States will be partners for democracy, freedom, and prosperity.

Mr. Chairman, I appreciate the fact that you have called this hearing to assess the early record of the new South African Government. I hope we will also have the opportunity to look at other related issues.

In particular, I am very concerned about information I have received regarding the operation of the USAID South Africa Program. Disturbing information has come to light which indicates that AID mission in South Africa is carrying on a frothing, frenzied, festival of political correctness.

This is a situation that deserves very close scrutiny. The South African people deserve better than to have themselves turned into a trough of spoils and rich contracts. We have got to be very careful.

Senator Helms' hold on the proposed contract for TransAfrica is a good first step. Thank you.

Testimony of
 Assistant Secretary of State George E. Moose
 before the
 House Subcommittee on Africa
 on
 South Africa: Since the Historic Election

October 4, 1994
 2172 Rayburn House Office Building

Mr. Chairman, Members of the House Foreign Affairs
 Subcommittee on Africa:

I think we all shared the elation of South Africa at the inauguration of Nelson Mandela. It seemed almost unreal, that this man -- who had been imprisoned for nearly three decades, denounced as a terrorist and convicted of treason -- should be stepping forward to take the oath of office as President. Nelson Mandela represents the vast majority of South Africans who for three hundred years had been denied the vote and control over their destiny. Now he presides over one of the most carefully thought-through and impressive democratic structures anywhere in the world. His State visit gives us an opportunity to recognize the excellent relations our two countries enjoy and the support the U.S. government has given to South Africa's transition.

The goodwill generated by the orderly nature of the election and the relatively smooth transition continues in South Africa. Polls show a staggering three-quarters of all South Africans, both black and white, are solidly behind President Mandela. The new Government of National Unity (GNU) has set itself to the task of creating a new South Africa, but the task is enormous, resources are limited, and along with reinventing government, the GNU, in many cases, must create government from scratch.

National reconciliation efforts have been remarkably successful. The agreements hammered out over four years of negotiation are proving their value. The Government of National Unity incorporates representatives of the African National Congress (ANC), the National Party (NP), and Inkatha (IFP), and one independent, the new Finance Minister Chris Leibenberg. The first budget was a model of fiscal responsibility. It is a start on reconstruction and redevelopment for the vast majority, and is fully supported by the entire Cabinet.

POLITICAL

Political violence, though always tragic, occurs at a fraction of the pre-election level, even in the East Rand. Although the recent public disagreements between Zulu King Goodwill Zwelethini and Home Affairs Minister Buthelezi are regrettable, violence in KwaZulu-Natal is also well below pre-election levels.

Its excellent beginning notwithstanding, this new regime faces enormous challenges. I would like to mention a few:

-- Government reorganization is proving to be a major undertaking, one that is inhibiting the ability of the Government to carry out its social and economic development programs. Elimination of the lingering structures of apartheid is daunting. The Health and Education Ministries are especially difficult cases. The four former provinces each had separate bureaucracies serving blacks and whites. Coupled with the homeland ministries, the Minister of Education must bring together 17 formerly separate and independent entities into a cohesive unit.

-- Vanquishing tension between new political leaders and the existing civil service members (who, under the Constitution, have been guaranteed their job levels and tenure, thereby limiting the infusion of new blood) is another key challenge. There is also the question of trust between the new government and staff that labored for the apartheid regime. In addition, the government's ability to diversify the civil service is limited by the guarantees of employment, further testing the patience of black South Africans.

-- At the provincial level, the tasks are even more daunting. The country is moving from four provinces and ten homelands to nine provinces, all but two with new borders. Several provinces must incorporate the structures and employees of the former homelands. Until the new governments are in place, all previous structures continue operating.

-- There remain, moreover, issues from the past that must be addressed and which pose sensitive political questions. Foremost among these is the proposed Truth and Reconciliation Commission. The Commission will investigate apartheid-era political crimes, recommend reparations, and receive applications for amnesty. The National Party has expressed concern that supporters of the former government will be treated more harshly than members of the "liberation" movement. Inkatha has raised similar concerns that investigations into alleged "hit squads" will turn into politically partisan witch hunts.

RECONSTRUCTION

These problems are not unexpected. Judging from the new government's approval ratings, South Africans understand the enormity of the task of reconstruction. Nevertheless, lack of progress can sow the seeds of frustration if not coupled with some strong action on the social and economic front. In this regard, the Government has made the ANC's Reconstruction and Development Program (RDP) the centerpiece of its policy.

The RDP is a blueprint for development incorporating objectives for jobs, housing, electrification, health, and education. The budget for the current year sets aside R2.5

billion (\$700 million) for RDP projects. The Government has already initiated programs providing free medical care for pregnant women and children under six, school lunches, and public works. Housing has been the most publicized program area, but ambitious plans at both the national and provincial levels have yet to make much progress.

The government recently issued its long-awaited White Paper on the RDP. It will be subject to public debate this month, and parliamentary discussion in November. The document held no great surprises. The conception of the RDP as an instrument to fundamentally transform society remains. The national government will direct the RDP process, but local governments are key to the implementation of the RDP. The paper argues for financial and monetary discipline, liberal trade policies and foreign investment. However, success of the RDP hinges on the capacity of nascent provincial and local governments to manage and implement its ambitious goals.

ECONOMY

Success in meeting the social and economic objectives of the RDP will depend on economic growth. The economy continues to recover from the recession of the last several years. But inflation is rising again, and imports are soaring as a result of the demands of reconstruction and economic recovery. Unemployment in the formal sector hovers around 45 percent. According to the World Bank, the economy needs to grow at a sustained rate of 6 percent per year to reduce unemployment and increase living standards for all South Africans. This year, due to the disturbances of pre-election violence and recent strike activity, South Africa will be lucky to record two and a half percent growth.

South Africans have expressed concern over the slow pace of foreign investment. About 70 U.S. companies either returned to do business in South Africa or have made new initiatives. But much of this activity is still in sales and services rather than capital investment. Four months after a regime change, it is understandable that foreign businesses adopt a wait-and-see attitude. Labor unrest may limit somewhat the pace of investment, particularly foreign investment, but there are other factors holding foreign investors back. One concern is the array of exchange controls which inhibit the free flow of capital. While the government is committed in principle to eliminating these controls, especially the dual exchange system, it is moving cautiously because it fears capital outflows and depreciation of the rand in the months following decontrol.

The government must also reexamine the state's role in the economy. President Mandela has pronounced himself opposed to privatization because it could lead simply to enrichment of already wealthy white elites. At the same time, it is becoming apparent that privatization could provide billions of rand for the RDP, and pressure is building for it. South African policy-makers are examining creative forms of privatization

that would produce efficiency gains, fill government coffers and promote majority participation in the economy. Further, increased competition in the South African economy could stimulate growth and employment. The government remains wary of intermediate job losses caused by restructuring, on top of already high unemployment levels.

The labor movement, especially the Congress of South African Trade Unions (COSATU), was strongly allied with the ANC leading up to and throughout the elections. Many former labor leaders now hold government positions, and support the government's free market policies in the face of opposition from their former constituents. The tension is increased by shop floor militancy where stewards are wary of too close a relationship between their leaders and government. The recent strikes and threatened strikes were, in the end, settled with wage increases consistent with inflation. For its part, the GNU has moved to strengthen mediation structures to mitigate future conflicts.

A third problem is the largely oligopolistic character of South Africa's economy. This inhibits entree into several sectors by foreign investors. The subject of anti-trust legislation and other ways to encourage what is termed "unbundling" in South Africa is thus a priority matter.

LABOR UNREST

In July and August, South Africa was hit by a wave of labor unrest, reflecting primarily growing expectations within the labor movement. These include wages, but also demands to rectify social inequities in the workplace. For example, wage differentials in South Africa reflect not only different levels of responsibility and/or skills, but also racial hierarchies. There is a strong desire to see labor have more input into industrial policy formation. Finally, the unions have yet to establish a new relationship with government.

The greatest challenge for the South African labor market, and perhaps for the economy as a whole, is to increase productivity while moderating wage growth. Facing unemployment rates near 50 percent, the economy needs to focus on employment-generating activity. These are most likely to be found in the manufacturing industries where the South Africans will be going up against the Asian tigers. With its relatively high labor costs, low productivity and unskilled labor, South Africa faces some significant challenges. In an effort to address these challenges, South Africa has created a new national economic body that will bring government, labor and business together to examine the problem.

REGIONAL ROLE

Turning to South Africa's role in the region, during the first months -- perhaps years -- of his administration, President Mandela undoubtedly intends to concentrate on

pressing domestic concerns. Nevertheless, South Africa has already played an important role in regional conflict resolution. Together with the Presidents of Botswana, Zimbabwe and Namibia, President Mandela worked personally to convince Lesotho's monarch to rescind an order dismissing a democratically elected government. President Mandela recognized the dangerous precedent posed by the Lesotho crisis and moved boldly to support democracy in southern Africa. Similarly, the efforts undertaken by President Mandela and the South African government were vital in achieving UNITA's acceptance of the UN position on national reconciliation. In Mozambique, South Africa is providing election assistance, and Mandela himself has worked for free, fair elections there later this month.

SOUTH AFRICAN - U.S. RELATIONS

Of course there has been a sea change in U.S. relations with South Africa. We have gone from attacking the apartheid government in all fora, to supporting the GNU in its courageous transition. U.S. - South African relations are excellent. The special relationship between the countries is an outgrowth of the key role played by the U.S., including millions of American citizens across the land, in the anti-apartheid struggle and in support of the transition process. Minor trade irritants have surfaced, primarily centered on the former government's tariff policy that effectively creates tariffs on demand for South African companies. But the GNU is serious about its GATT commitments. We are confident that such irritants will fall away as the government implements its more liberal trade regime.

As you know, on May 5, the President announced the enhanced Trade, Aid and Investment Package for South Africa. In fiscal year 1994 we obligated over \$200 million in USAID support. My colleague, John Hicks, will expand further on USAID's programs in South Africa, but I would like to reiterate that our program focuses on technical assistance and training -- giving South Africans the tools for governing, and for making their economy grow. In addition, innovative programs by the Overseas Private Investment Corporation (OPIC), the Trade and Development Agency (TDA), and the Department of Commerce are providing strong support for U.S. investment and trade, with special emphasis on linkages with businesses in South Africa owned by the previously disadvantaged elements within the population. We are pleased that other donors, following President Clinton's request, have followed with similar programs of support, in particular, the European Union, Japan and the United Kingdom.

Another field of cooperation I would like to mention is counternarcotics. As South Africa opens to the world, narcotics trafficking and usage are spreading alarmingly. Dr. Lee Brown, Director of the Office of National Drug Control Policy, visited South Africa in August in support of the coordinated U.S. Government effort to help build South Africa's capacity to fight drug trafficking, encourage South Africa's regional role in the counternarcotics effort, and assist in

demand reduction programs. President Mandela has cited this as one of the most serious threats to South Africa and the GNU is now developing counter-narcotics programs together with neighboring states.

CONCLUSION

South Africa is an African success story. Many times during the transition, nay-sayers predicted division and civil strife. Each time, through negotiations and consensus building, South Africans forged ahead. South Africa has an arduous road to travel to reconciliation and sustained economic growth. Its most urgent task lies in creating functioning local, provincial and national governments, in order to be able to deliver the housing, clean water, electricity, schooling and primary health care promised to the electorate. While it is difficult for outsiders to comprehend the enormity of the task, the mere process of governance is at the center of the South African drama. As we welcome President Mandela to our nation's capital we also affirm our intention to assist South Africa in forging the nonracial democracy that will stand as a model to Africa and the world.

STATEMENT OF JOHN F. HICKS
Assistant Administrator
Bureau for Africa
Agency for International Development
before the
Subcommittee on Africa
Committee on Foreign Affairs
U.S. House of Representatives
Washington, D.C.
October 4, 1994

Good afternoon, Mr. Chairman and members of the subcommittee. As our nation hosts President Nelson Mandela on his first visit to the United States in this capacity, it should remind us of the hope and potential that exist for the continent of Africa -- the theme struck by your hearing on Africa successes last week. I believe the United States can take real pride in the pivotal role we have played in helping a democratic South Africa become a reality. I am honored to appear before you today to briefly describe what has been achieved in the decade of U.S. assistance to South Africa and what we are doing to implement the assistance program announced by the President.

When we last met on South Africa five months ago, we discussed USAID's support of the electoral process and our strategy and support for the post-apartheid period. The April national and provincial leadership elections, deemed free and fair by the international community, are behind us now and part of the history of the new South Africa. This part of South Africa's transition and transformation was born from long hours of work by thousands of South Africans, from the leadership of South Africa, including President Mandela, to the staff of countless nongovernmental organizations (NGOs). The U.S. Government's economic development assistance program directly supported this process.

On May 5, President Clinton announced a \$600 million assistance package for South Africa of which \$528 million was to be administered by USAID over FY 94-96. We are now working directly with the new government and with South African universities and technikons (i.e. polytechnic institutes) which have served the disadvantaged community. We are doing much more in the area of governance and working directly with the new civil service on its training needs. We have developed programs with private sector banks in South Africa to finance housing and will be working with the GNU to provide additional financing for housing and electrification for the majority population. We are initiating new thrusts in areas such as health care and job skills for disenfranchised youth. And lastly, the USG realizes that democracy does not come with an election alone. We, therefore, intend to provide resources to support the consolidation of democracy through continued electoral support assistance and efforts to help engage political parties in the political process.

HISTORICAL OVERVIEW

United States assistance in South Africa since 1986 has been highly effective in achieving the political purposes defined in the CAAA. Our assistance helped lay the foundation for the democratic transition that South Africa can now consolidate and build upon. Our program also demonstrated new ways of doing business which may have relevance for other countries undergoing political, economic, and social transformation. We think it has been an excellent program of which the American people can be proud.

As we move into a new era of assistance in South Africa focusing more on long-term development and working with the new government, I would like to take this opportunity to review with the Committee the impact of our past assistance efforts. Since the past program relied heavily on small grants to NGOs, this is best done by looking at specific examples of people-level impact.

Over the past decade, USAID has provided more than \$420 million to support the transition to a democratic, nonracial South Africa. Most of these funds have been channeled through South African non-governmental organizations (NGOs) working in the fields of education, community development, human rights, private sector development, and housing. In the last two years the program has added special emphases on support for elections and violence mitigation.

In 1986, Congress passed the Comprehensive Anti-Apartheid Act (CAAA). The CAAA imposed partial economic sanctions on South Africa and established an assistance program focused on two goals: supporting the dismantling of apartheid, and helping prepare South Africa's historically disadvantaged population for a leadership role in a democratic, post-apartheid South Africa. The program grew from \$7 million in 1986 to \$80 million in FY 93 to \$212 million in FY 94.

The South Africa program has been special in several ways. First, it is the largest USAID program in sub-Saharan Africa (not counting emergency food aid). Second, it has focused on social and political change as well as traditional economic development. Third, it has been unique in working predominantly through local NGOs. Last year, for example, USAID/South Africa made several hundred grants to local NGOs, ranging in size from \$10,000 to \$5 million.

Giving a large number of grants to NGOs has a number of advantages. It has allowed U.S. assistance to be responsive to community needs and to reach the grassroots level. It has allowed many needs across a large country to be addressed. And it has helped strengthen NGOs and community-based organizations, which are key components of civil society.

HUMAN RIGHTS

Background: Support for human rights activities have been a central part of USAID's South Africa program. USAID has allocated \$22 million in the last seven years to fund legal representation for disadvantaged people, rural advice centers, and legal defense for people charged with political crimes.

Accomplishment: Support to Accused of Delmas Treason Trial. In the mid 1980s twenty anti-apartheid leaders from the United Democratic Front (UDF) were accused of conspiring to overthrow the government of South Africa. In a case that attracted national and international attention, four were convicted, given sentences of 5-12 years, and sent to Robben Island. USAID provided funds to various South African law firms who represented the accused in an appeal. In 1989 the appeal court ruled in favor of the defendants and they were released from prison. Many of the accused are currently members of the National Executive Committee of the ANC. Two of the accused, Popo Molefe and Terror Lekota, are now premiers (i.e., governors) in two of South Africa's nine provinces.

BASIC EDUCATION

Background: USAID has directed \$38 million towards basic education since 1986, mostly to help NGOs develop new and creative models of delivering basic schooling to the majority population.

Accomplishments:

- The Education Support Services Trust distributes English language learning materials to 60,000 primary school students. Over 180 farm schools, many in remote locations, are involved in this effort. The workbooks and story books are often the only such materials the children have ever owned.
- USAID has helped Project Literacy (PROLIT) become one of the most successful models for indigenous literacy training in South Africa. Materials developed by PROLIT enable adult, full-time attendees to become literate in their mother tongue in ten weeks.

TERTIARY EDUCATION

Background: USAID/South Africa's biggest financial commitment has been in grants for tertiary education -- roughly \$125 million since 1986. USAID has been funding scholarships for black South Africans since the early 1980s to study at universities in the U.S. and South Africa in subjects, such as public and business administration, economics, law, engineering, and science, relevant to the needs of the country.

To date, about 1,900 people have been trained at graduate and undergraduate levels in the U.S. and more than 1,500 have been trained at undergraduate levels in South Africa (1,000 in science and commerce).

Accomplishment: Strengthening South African Leadership. A particular strength of the U.S.-based training is that the students often come home with an enhanced sense of empowerment and confidence that goes beyond their academic training. Perhaps for this reason, many of them have gone on to positions of responsibility and leadership in the public and private sector in South Africa. For example:

--After spending two years in Robben Island prison, Wiseman Nkuhlu earned his MBA at New York University in 1983 and became the first black chartered accountant in South Africa. Today Nkuhlu is Chief Executive of the Independent Development Trust and Chairman of the Development Bank of South Africa, two of the largest development agencies in South Africa.

--Job Mokgoro earned his Masters degree in Public Policy and Public Finance at Toledo University in 1986 and became a lecturer at the University of the Western Cape and National Coordinator of the New Public Administration Initiative. In February 1994, Mokgoro was made co-leader of the interim administration in Bophuthatswana, charged with preparing the way for national elections, and is now the Director General in Northwest Province.

--Namane Magau earned her Doctorate in Education at Harvard University in 1991. She then became a Divisional Manager at the Development Bank of South Africa, and is currently serving as a member of the Independent Broadcasting Authority, and as the person in charge of Human Resource Development for the GNU's Reconstruction and Development Program.

EDUCATION POLICY

Background: USAID support to tertiary education has expanded beyond scholarships alone. Historically, South Africa's education system has been divided into 19 separate departments of education. Reform of educational policy has been constrained due to lack of public access to reliable information on issues such as school financing, building construction, curriculum materials, and teacher training.

In 1992 USAID provided funding to a local NGO to develop a data base, called "Edusource," to inform educational policy debate.

Accomplishment: Informing Education Policy-making. Edusource has had a direct impact at the highest levels of policy-making among extra-parliamentary leaders and educators. Users include the ANC; the historically white and black universities, such as University of Witwatersrand, University of Fort Hare, University of Western Cape, and University of

Cape Town; and education NGOs. It is the sole source of reliable and up-to-date information on education. Edusource data was used by the ANC in developing the education components of its Reconstruction and Development Program. Black researchers trained under Edusource are expected to serve in a future government.

PRIVATE SECTOR DEVELOPMENT

Background: USAID has devoted \$26 million to support black small enterprise credit; to help medium-size black businesses expand their links with large white businesses; and to strengthen participation of black business groups in national and regional economic forums.

Accomplishment: Microenterprise Support. With 45% unemployment among black South Africans, job creation is one of the most urgent priorities. One way to create jobs is to support the development of microenterprises (which employ 60% of South Africa's economically active population).

USAID has taken a leading role in this effort since 1987 (when it was still illegal for blacks to own their own business). Today, USAID supports six NGOs which provide credit to black-owned microenterprises and gives loan guarantees to commercial banks to lend to such microenterprises.

In 1993 USAID helped fund a visit to Egypt by two South African managers of microenterprise programs to learn from successful microenterprise models in that country (also funded by USAID). The South Africans asked the Executive Director of one of the Egyptian foundations what their policy was on defaults. The gentleman replied that "Defaults are unacceptable!" The South Africans took this lesson home. One of their organizations, the Small Enterprise Foundation, last year had 2,500 active borrowers, 94% of them rural women, and a 100% on-time repayment rate.

Accomplishment: Changes in the African Life Insurance Company. One of the biggest challenges in the new South Africa will be to bring black South Africans into ownership and management roles in the heretofore white-dominated economy.

This year a significant first step was taken when a consortium of black shareholders gained majority control of African Life, a large South African insurance company. The shareholders were led by a group of prominent black business-people and included pension funds, trade unions, church groups, and other community organizations. Don Ncube, chairman-designate of African Life, says that the goal of the project is "to spread the wealth and ownership throughout the black community" and allow "sustainable wealth creation." This pioneering acquisition was supported by USAID, which provided the services of two financial experts and the funds required to bring the deal together.

HOUSING

Background: Among South Africa's majority population, housing is one of the top two priorities (along with education). USAID is the single largest donor engaged in the housing sector with a \$50 million program initiated in 1992.

Accomplishment: Sustainable Development Through Empowering Local Communities. In less than two years, USAID's housing program has helped black community-based organizations play a stronger role in local planning and development. Black-owned construction firms have been strengthened, and access to private sector financing has been expanded.

- USAID is providing leadership training to squatter camp residents who want to organize and improve their communities. One of these courses resulted in negotiations carried out by residents with the South African electricity authority to obtain first-ever electrical services for their shack community.
- A \$1.3 million grant brings together South Africa's two black construction trade associations into a joint program to strengthen competitiveness and access to finance.
- A \$5 million grant to a non-profit revolving loan fund in Johannesburg is leveraging an additional \$21 million that will finance nearly 20,000 new homesites throughout South Africa.
- The Duncan Village Story. Duncan Village, with a population of 70,000 in 16,000 homes ranging from middle class to shacks, encompasses an area of some 4 square kilometers and is the largest black township in East London. Located less than 5 km from the East London central business district, Duncan Village was considered to be in the city and the residents were identified for forced removal in the 1960s and 1970s, which they successfully resisted. However, the residents' "victory" was not without cost and the local authorities have provided virtually no services or infrastructure for the past thirty years. Today Duncan Village is among the most severely over-populated and under-serviced black townships in South Africa.

A \$190,000 Grant Agreement was signed by USAID/South Africa with the NGO "CORPLAN" on July 23, 1993 as part of the Mission's Housing & Urban Development Program. The purpose of the Grant was to provide technical and financial support to the Duncan Village Residents Association to prepare a comprehensive development program for Duncan Village.

The redevelopment plan for Duncan Village that was prepared with the USAID Grant was submitted to the new South African Government's Reconstruction and Development Programme (RDP). In August 1994, President Nelson Mandela announced that he had selected Duncan Village as one of the six urban Presidential

Projects in South Africa. President Mandela pledged the equivalent of \$40 million to improve the housing, infrastructure and public services in Duncan Village, based on the plan prepared by the Duncan Village Residents Association.

ELECTIONS SUPPORT

In preparation for the history-making elections in April 1994, USAID provided just over \$35 million in support of the electoral process in South Africa. The USG was the largest provider of electoral support among donor countries.

Voter education was a major part of this effort. A recent survey indicated that 83% of the South African electorate received some form of voter education prior to the April elections. USAID devoted \$10 million in FY 94 alone to supporting 90 separate voter education and documentation activities. USAID-funded voter education programs through NGOs such as the Martin Luther King Center were recognized, accredited and utilized by the Independent Electoral Commission (IEC). As the election drew closer, USAID/South Africa focused efforts towards voters most likely to be victimized by intimidation, coercion and fraud such as the illiterate voter, farm workers, women, disaffected youth, and voters in especially conservative and/or violence-prone areas. It is estimated that USAID-funded NGOs reached 3.6 million eligible voters by the time of the election.

Through a grant to a consortium of U.S. PVOs, USAID assisted political parties which had not participated in previous elections in South Africa. This assistance was geared to developing their capacity to identify and address constituent needs, to develop effective campaign organizations, and to campaign effectively.

USAID supported the development of training materials for election monitors and the development of standards of conduct and criteria by which to judge free and fair elections. Local NGOs were strengthened in developing systems for gathering independent information on the conduct of the elections, and in organizing local election monitors and coordinating local monitors with international observers. A USAID-financed grant to a U.S. PVO provided basic orientation and coordination of the several hundred election observers fielded by around 40 U.S. organizations.

USAID also provided a wide range of support to the IEC to strengthen its election and polling processes. When the IEC decision to use a two-ballot system invalidated much of the voter education material which had already been produced, USAID funded a major effort to ensure that voters understood how the new mechanism would work. Ten million new sample ballots and 10 million pamphlets were printed, explaining the two-ballot system.

But, elections would not have been possible without equally profound changes in civil society. Since the mid-1980s, USAID has supported local community and non-governmental organizations. Since 1992, USAID has supported South African organizations engaged in

promoting a culture of tolerance, with efforts ranging from training in negotiation and conflict resolution to helping communities cope with the losses they have suffered as a result of violence. USAID also assisted the National Peace Accord Structures, including the Goldstone Commission. Just before the elections, USAID resources were used to address problems of violence in hostels, township communities, and sub-regions throughout South Africa.

SOUTH AFRICAN RECONSTRUCTION AND DEVELOPMENT PROGRAM (RDP) AND DONOR ASSISTANCE

As Assistant Secretary Moose stated in his remarks, the task of reconstruction before the GNU is enormous, and the resources are limited. Coupled with this is the need to reinvent and restructure much of the governing apparatus and establish a new way of operating.

The Government of National Unity (GNU) has begun the implementation of its ambitious Reconstruction and Development Programme (RDP), which will be the driving force of GNU development efforts. The U.S. supports the objectives of the RDP and has initiated efforts in support of its four broad areas:

1. Meeting Basic Needs -- Housing, Electricity, Health Care
2. Developing Human Resources -- Education and Training
3. Building the Economy
4. Democratizing the State and Society

South Africa's successful political and economic transition is critical to the country and the region. Over time, we expect that significant support will be forthcoming from international financial institutions, private foreign and domestic investment, and the GNU's own revenue; the need for donor grant resources will diminish in the longer term. In the short to medium term, however, there is a critical need for donor support of the RDP.

South Africa receives substantial assistance from other bilateral donors, including Japan, Germany, the European Union and Great Britain. Over the last two years, donors in South Africa have formed technical working groups which have met on a periodic basis. Many of these donors have recently increased their assistance levels, including a heavy emphasis on trade finance. Given the enormity and urgency of the development task in South Africa and the limited availability of funds, we look forward to participating actively in a donor conference now in the discussion stage and likely to be held in South Africa early next year.

The first revised annual budget presented by the GNU allocated R2.5 billion (approximately \$700 million) for RDP activities in 1994/95. These funds were recently allocated to a wide-range of specific activities including municipal services, primary school nutrition, urban renewal and public works. The purpose of the municipal services fund is to provide visible and rapid improvement of such services, to facilitate the democratization of local

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government, and to establish a framework to enable local communities to pay for rent and services. The nutrition program is designed to improve education quality and general health development, and eradicate hunger. Over half of the nation's 3.8 million primary school children, particularly those in impoverished areas and urban settlements, are to receive an early daily snack.

The urban renewal projects, like the one in Duncan Village, include providing integrated infrastructure, housing, job creation, and community, environment and recreation facilities using national guidelines. Lastly, the public works program is intended to maximize job creation potential of all capital projects, with training and capacity building providing long-term job prospects.

These initial efforts, referred to as Presidential Projects, are designed not only to kickstart the reconstruction and development process, but also to change the modus operandi of government itself. We understand these projects have been analyzed to ensure they conform to budgetary allocations and that task forces have worked with the provinces and operating departments to simplify implementation. It has been further reported that every project must present business plans conforming to project controls as well as to the RDP criteria such as training, community involvement, empowerment, affirmative action and small business involvement.

The start-up of the implementation of the RDP, as with other aspects of governing, has been hampered by the watershed change in government and its need to reorganize. It is taking time for the new Government of South Africa to begin implementation of the RDP and to mobilize NGOs around issues of economic development. It is also taking time for foreign aid donors to shift their programs to more traditional development concerns and to the new demands of working with the government. However, I would like to give you a sense of the principles and emphases that will guide our assistance program in this era.

USAID GOALS, OBJECTIVES AND SUPPORT

The assistance package announced by President Clinton was designed as a quick infusion of resources to bolster democracy and help start the process of socio-economic change. The expanded program will be designed and implemented during the FY 94-96 period. We have worked closely with the new Government to ensure that our expanded aid program is fully supportive of the priorities and objectives of the RDP. The cooperation from the GNU has been excellent, and the design and implementation of the expanded program is progressively well. When the President announced a level of \$528 million of USAID funds over FY 94-96, we anticipated obligating \$166 million in FY 94 and \$181 million in both FY 95 and FY 96. I am pleased to report that we obligated \$212 million, thus exceeding the \$166 million targeted for FY 94. I would like to acknowledge the dedicated staff in the Mission in South Africa and in Washington who worked so hard to obligate the additional funds.

This increase resulted from obligating all of the authorized \$75 million for the private sector housing guaranty, rather than \$30 million as originally planned. We were able to accelerate obligation of these funds because of the interest and cooperation of two of South Africa's leading financial institutions, NEDCOR and First National Bank. (NEDCOR signed an agreement for \$45 million, but will onlend \$7.5 million to a black-owned South African bank.) The \$75 million leverages \$150 million from the participating banks, thus providing \$225 million in the guaranty program. This will, in turn, finance housing for 100,000 disadvantaged South Africans. These funds are provided by the private sector; the cost to the USG has been only \$4 million, the appropriated funds needed to guarantee this ambitious private sector housing program. In FY 1995, we intend to develop guaranty facilities with the GNU to help finance additional housing and electrification for disadvantaged South Africans.

As stated in my last testimony on South Africa, the objectives of USAID/South Africa remain to promote the political, economic and social empowerment of South Africa's majority population. These objectives are being addressed through activities designed to: (1) strengthen political institutions; (2) expand black-owned enterprises, create jobs, and increase housing and related services; and (3) improve and extend education and health services.

- **Political Empowerment: Strengthening Democratic and Political Institutions**
(FY 94-96: \$126.4 million)

Governance is one of the biggest problems facing the GNU, because of the lack of trained people from the majority population to serve in government, the structural changes that are required (particularly in the new provinces), and the need to transform apartheid policies and programs.

Strengthening democratic governance will be an important focus of our post election program. USAID is assisting new government officials to deal with these problems by specialized assistance to National Ministers, training and technical assistance to the new Provincial governments, and training and other support at the local level. These programs are being implemented through grants to two South African NGOs, the South Africa Foundation for Public Management and Development and the Institute for Local Government; Africare; and a transfer of USAID funds to the U.S. Information Service (USIS). USAID also is helping the provinces implement the participatory development approach of the RDP by funding local NGOs to train community groups in development skills and managing local RDP forums.

The first government-to-government agreement, which was signed with President Mandela in September, was for a \$9 million assistance program with the Ministry of Justice to assist in the reform of South Africa's legal system. The overall goal of this activity is to improve and transform the system of administering justice to make it more accessible, representative, transparent and legitimate for all South Africans. The project will have five basic complementary components including training of historically disadvantaged legal practitioners

and of judicial officials; increased accessibility to the justice system; constitutional, civil and human rights education; revision of laws and judicial reform; and participation of civil society.

We are also providing support to maintain the engagement of all political groups in the democratic process. NDI, IRI, and the Joint Center for Political and Economic Studies, together with local NGOs, are engaged in this area. USAID also is continuing its practical support of the electoral process and the local elections scheduled for 1995.

- **Economic Empowerment: Black Private Sector Development, Jobs and Infrastructure (FY 94-96: \$268.6 million)**

Years of apartheid have resulted in the almost total exclusion of the majority of South Africans from the modern economy, including ownership of productive assets, professional employment and, particularly, business ownership. There also is an alarming degree of alienation among a generation of youth who have been deprived of education and job opportunities, and who are unable to function as productive members of the society and the economy. In addition, a critical shortage of housing, electricity and other urban infrastructure exists for the black population, due to the lack of investment over the years in basic infrastructure for the majority population and a deliberate exclusion of blacks from an equitable share of services and facilities.

To address these needs, USAID is providing continued support for private sector development through on-going and continuing activities including: a cooperative agreement with PACT, a U.S. PVO, to identify and channel appropriate technical assistance to the South African microenterprise sector; a grant to the Cooperative League of the U.S.A. (CLUSA) to provide U.S. technical assistance to historically disadvantaged South African businessmen and professionals; a grant to the Small Enterprise Foundation which is providing credit and savings services to its clients; a grant to the Get Ahead Foundation to support the expansion of small and microenterprises; and a grant to the Informal Business Training Trust which provides training to microenterprise entrepreneurs.

USAID also has initiated job skills training through the AFL/CIO's International Bricklayers and Allied Craftsmen's Union under a \$2.5 million grant to support a training center for basic and advanced construction skill, e.g., masonry, carpentry, plumbing, and electrical skills. This grant will provide a training program which will allow members of the disadvantaged community to improve their skills and enable them to move from being laborers at construction sites to being certified masters of their respective trades, the wage difference being approximately R40 or more than \$10 per hour. This effort in job skills complements several grants to local NGOs and a U.S. contractor which provide management training and consultancies.

A bilateral agreement (\$500,00) also was signed in September with the Ministry of Housing to provide technical assistance to the Ministry in a wide range of technical areas.

In addition, we will provide financing and training for housing activities through the housing guarantees mentioned earlier and through the Community and Urban Services Support Program, which is contracted with Lance Bailey and Associates, PADCO, and Creative Associates. CUSSP has a local staff with skills in architecture, urban planning, engineering, training and community organization. The CUSSP team is working with a number of communities (eventually to total 48) to assist them to plan and build low-cost housing and infrastructure. This also includes support to grantees who concentrate on upgrading existing informal settlements; providing new serviced sites and supporting self-help dwelling units on such sites; developing appropriate, integrated new subdivisions; or promoting urban infill.

- **Social Empowerment (FY 94-96: \$133 million)**

Of all of the injustices of apartheid, none is more profound than the under-education and restriction of educational opportunities for black South Africans. Also, diseases related to poverty, apartheid, industrialization and social instability are threats to the survival of the majority population in an otherwise-seemingly advanced medical/health environment. The inequalities resulting from years of inferior education and health services will take decades to full overcome.

To address these legacies, USAID is providing continued support for the development and testing of alternative educational models through, for example, grants to Border Early Learning Centre, which trains educate teachers and provides classroom materials; the Center for the Advancement of Science and Maths Education, which upgrades teacher skills in science and math at the senior secondary level; COUNT, which provides innovative materials and teacher training in math education for rural primary teachers; Disseminating Education and Literacy (DEAL), which provides adult education through literacy centers, outreach and research; English Language Material and Programs, which trains primary school English teachers and provides classroom materials; In-service Education and Training, provides training for farm school teachers in English and math; and Open Learning System Education Trust (OLSET), which provides research and training in English literacy and numeracy through radio and TV education; etc.

As you know, USAID is supporting the historically disadvantaged universities and technikons through the \$50 million Tertiary Education Linkages Project (TELP). The project was authorized in August and a request for proposals should be available in October for the initial contract under the project which will provide project implementation support by, in part, assisting South African institutions to run seminars and workshops and develop proposals for further TELP assistance. This contract will be competed among Gray Amendment entities. The project will have additional opportunities for technical assistance and training services to be provided to South African institutions.

USAID will continue support for HIV/AIDS awareness and education programs. In addition, we are providing new technical assistance to the Ministry of Health on epidemiology, planning, and maternal and child health through a PASA with the Centers for

Disease Control in Atlanta. In FY 1995, we will initiate a new health project which will provide assistance to the new government and to NGOs which have the capacity to deliver quality services in areas now poorly served by existing health infrastructures. During the first two years, activities will be undertaken in family planning, child survival, and the diagnosis and treatment of sexually transmitted diseases. HIV/AIDS efforts will be expanded and concentrated on black youth.

WORKING WITH GOVERNMENT AND NGO'S

Until the installation of the GNU, the USAID/South Africa program was conducted solely through the work of indigenous and U.S. NGOs. As a result, the USAID mission has a strong relationship with the South African NGO community. Our support of this vibrant NGO community has been one means of preparing many disadvantaged South Africans for the current leadership roles they now occupy in the new government. As you know, this strengthened NGO community has played and continues to play an important role in the transformation process in South Africa, including the establishment of a civil society and an effective electoral process.

Since the GNU took office, USAID has been meeting with the GNU and building the basis for current and future development efforts with the new government. As noted above, we have signed two agreements with the new government and have begun providing assistance to them in key areas. Currently, however, most American aid continues to be channelled through NGOs. This balance will be shifting more towards the government as time passes. The issue of government versus NGO support is a challenge since there is a transformation underway in the NGO community. Many organizations are struggling with moving from a mission of protest to one of development. The GNU simultaneously is determining what precise role the NGOs should play in delivering social services. Whatever the outcome, we expect that a substantial amount of the future USAID program will continue to be programmed through the NGO sector.

USAID'S REGIONAL INITIATIVE

As I mentioned in my last testimony, we want to strike the right balance between assisting South Africa and the other countries in the region. For this reason, as we have expanded our program for South Africa, we also have developed a new Initiative for Southern Africa (ISA). One part of the ISA is the \$100 million Southern Africa Enterprise Development Fund, which will be shared equally between South Africa and its neighbors in southern Africa. We expect the board of directors of the fund to be functioning by the end of the year. The fund will invest in disadvantaged, indigenous small and medium enterprises (SMEs) which have lacked access to capital, especially long-term risk capital for start-up investments and business expansions. The expansion of these SMEs will create jobs and increase incomes for poorer population groups.

CLOSING

In closing, Mr. Chairman, I wish to thank you for convening this hearing today at Washington hosts President Nelson Mandela of South Africa. USAID will continue support the historic transformation to democracy and equality in his country.

STATEMENT OF GAY MCDUGALL
INTERNATIONAL HUMAN RIGHTS LAW GROUP
WASHINGTON, D.C.

BEFORE THE SUBCOMMITTEE ON AFRICA OF THE COMMITTEE ON
FOREIGN RELATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
SOUTH AFRICA: SINCE THE HISTORIC ELECTIONS

October 4, 1994

SOUTH AFRICA SINCE THE ELECTIONS

Mr. Chairman and members of the Committee, my name is Gay McDougall, and I am Executive Director of the International Human Rights Law Group. The Law Group is a human rights advocacy organization headquartered in Washington, D.C., which seeks justice for the victims of human rights abuses. In January of this year, I was appointed to serve as one of only five international members of South Africa's Independent Electoral Commission which successfully organized and administered that country's first non-racial elections last April. For the past 15 years I have focused my professional skills on issues relating to human rights and political process in South Africa and Namibia.

Since the April elections, President Nelson Mandela and the Government of National Unity (GNU) have undertaken a challenge that few would be willing to assume. After the initial jubilation and brief honeymoon period, the new South African government has begun the process of creating new political institutions and the mechanisms for fair and effective administration. No one expected this task to be an easy one. This creative process is occurring in a context of continuing political tensions and rising expectations. Apartheid left a lingering aftertaste of economic and social disparity, corruption and resentment. The residue is an overall feeling of deprivation by the majority and an impatience for the effects of the transition to a free society to be manifested in their lives now.

The past few months since the election have brought a succession of strikes in major industries, a wave of landless people squatting on privately owned land, a rising crime rate, a dramatically reduced but continuing rate of political violence in kwaZulu/Natal and the townships in the East Rand, growing xenophobia triggered by an influx of illegal immigrants, and regional tensions and power plays.

The Government, which is comprised of primarily first-time public officials, is struggling to make its presence felt, to effect change, while at the same time learning to work as a cohesive unit despite past differences. In addition to a lack of experience and what may seem at times to be conflicting agendas, the members of the new government are forced to cope with problems of a seemingly less important nature, like awaiting the delivery of office furniture and equipment. Although apparently insubstantial in the face of the many challenges facing the Government of National Unity, these smaller problems can and do affect the efficiency of the exercise of their duties.

THE POLITICAL PROCESS

There are actually two political processes to watch at the national level in South Africa. One is the functioning of the newly elected Government of National Unity, and the other is the drafting of the future constitution. The new constitution under which Nelson Mandela was elected and inaugurated is only an interim constitution. A primary function of the newly elected legislative body is to serve as a Constitutional Assembly; to draft within

two years the final constitution of the nation, which will be the basis for new elections in 1999.

The Constitutional Assembly, chaired by African National Congress Secretary General Cyril Ramaphosa, has established a steering committee and working groups to develop provisions that will ultimately be submitted to the entire Constitutional Assembly for passage. A committee of five independent constitutional experts will work out technical issues. The final document must gain the support of at least a two-thirds majority of the Constitutional Assembly, which is composed of the Senate and National Assembly sitting jointly. That failing, a complex deadlock-breaking mechanism is triggered which could put the draft constitution to a national referendum. The Constitutional Court must certify that the new constitution adheres to 34 Constitutional Principles which were the subjects of intense negotiations prior to the elections and which are entrenched in the interim constitution.

While a number of acrimonious issues have arisen, the Government of National Unity and the National Assembly have enjoyed a surprising spirit of cooperation. The new Cabinet has approved, in principle, a number of laws necessary to establish new institutions like the Constitutional Court, the Judicial Services Commission, and the Human Rights Commission. The National Assembly, currently in recess, has established a number of select parliamentary committees, and as testament to the principle of reconciliation, the chair of the critical defence committee has been given to a Member of Parliament from the right-

wing Freedom Front Party. The Freedom Front has also moved forward to establish the 20-member Volkstaat Council which will debate the question of Afrikaner self-determination and the establishment of an Afrikaner homeland within boundaries to be initially determined by the Council.

The new National Assembly and the Senate have, however, an enormous legislative agenda before them. Only the structures of apartheid established by constitutional provisions were repealed in the early stage of the transition. The apartheid-based structure of the civil service and the delivery mechanisms of government must still be tackled. Some have considered South Africa's civil service as the last bastion of resistance to the transition. As part of a non-negotiable package of pre-conditions for a peaceful transition, the National Party secured special protections in the constitution for incumbent civil servants which will mean that only limited change will be possible in the government workforce for many years. In large part, the new government will have to respond to pressures for affirmative action and gender balancing by enlarging the civil service which is already bloated by the incorporation of civil servants from the erst-while homeland governments. So, the new government cabinet ministers must devise ways to transform a civil service trained to pursue apartheid and separate development into one that serves the goals of a new South Africa.

Newly elected provincial governments are having an even harder time than their national counterparts in grappling with the mechanics of government and the realities of South Africa's new federal structure. In many respects, it is the provincial and local

(municipal) governments that will face the greatest challenges and be targets of the first salvos when policies fail. They are the main service delivery points. Many premiers have had to deal with the legacy of maladministration and corruption left by homeland administrations. Some areas are almost completely lacking the infrastructure necessary for delivery of services. In at least seven of the nine provinces the needs of the population are so rudimentary that the provision of safe, clean water is of far greater importance than even housing.

The devolution of authority from the national level to the provincial governments to legislate and administer provincial affairs has been slow in coming. The GNU has taken a seemingly cautious, piecemeal approach to granting the provincial administrations with the authority required to fulfill their mandates. After the first 100 days of the new administration, the premier of the Northern Cape was still without an office and without funds while members of some other provincial administrations were alleged to have been enjoying the perquisites of their new positions. The central government too has been accused of unnecessarily high expenditures on salaries, office redecoration and the purchase of luxury items, particularly in the face of the country's overwhelming social and economic problems. A study has been ordered to investigate salary levels and President Mandela has publicly announced that the "gravy train" is at an end. In addition, the African National Congress (ANC) has developed and circulated a code of conduct among the new public officials to help prevent future faux pas.

In kwaZulu/Natal province, the matter of provincial governance has been delayed by continuing disputes between the Inkatha Freedom Party (Inkatha) and the ANC over the site of the capital (Ulundi or Pietermaritzberg), the allocation of portfolios and an investigation of hit squad activity within the kwaZulu police. But, even they have found a process for working through their difficulties. Disputes over location of the capital have been referred to a committee charged with finding an interim solution pending a referendum on the issue to be held in 1996. The question of distribution of portfolios has been resolved. The African National Congress has been allocated four important committees that will place it in a position to oversee Inkatha-led ministries in these areas: the safety and security committee, local government and housing, finance and conservation. Inkatha chairs committees overseeing ANC-led ministries.

Distracting attention from the central agenda of the kwaZulu/Natal provincial legislature is a mushrooming power struggle within the royal house of the Zulu nation. The growing tension between King Goodwill Zwelithini and his uncle, Home Affairs Minister Mangosuthu Buthelezi, has been the subject of international media coverage. In addition to his other roles, Mr. Buthelezi has held the position of "traditional prime minister" of the Zulu nation. As the head of the Inkatha Freedom Party, he advocated a boycott of the April elections if his demands at the negotiating table were not met. Since his nephew inherited the throne in 1971, Mr. Buthelezi has exercised considerable influence over the King. This influence was strengthened by his carefully tended patronage system and also by his control of the royal bank accounts. Conversely, his close alliance with the King has

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appealed to Inkatha supporters.

As a consequence of events leading up to the elections, King Goodwill Zwelithini has gained independence from Minister Buthelezi, and a new prominence. In the last weeks before the election, in order to revive his bargaining power in the negotiations, Mr. Buthelezi restated his goals to include the protection of the monarchy. Royalist passions rose within the Zulu-speaking population, with the consequence that a constitutionally recognized role was secured for the King and three million hectares of kwaZulu land was ceded in trust to the King. Now, the national government is the source of the King's financial support, rather than the kwaZulu homeland authorities, and King Zwelithini has taken bold steps to distance himself from Inkatha and Minister Buthelezi. The King has even dismissed Mr. Buthelezi from his position as Chief Minister within the royal house. The King now reportedly fears for his life, and members of his family have been threatened and attacked.

While the nation is watching these events in the Zulu royal house closely, at present, they have minimal impact on the political process in the province or nationally. But, if the power struggle turns violent, it may reverberate throughout the delicately balanced body politic. Over the past decade, over 10,000 Inkatha and ANC members have been killed in the area because of political rivalry and "turf wars." The relative peace that the two groups have been able to maintain over the past months is definitely an uneasy one and hard feelings still linger.

There have also been calls to investigate the existence and past activities of hit squads in the kwaZulu/Natal police force. Revelations about the death squads came from General Roy During, the former head of the kwaZulu police force and Inkatha members who are office holders have been implicated. Mr. Buthelezi and provincial officials have expressed the view that the investigation is suspect and a threat to the reconciliation process. They have refused to cooperate with members of a probe appointed by the National Minister of Safety and Security Sydney Mufamadi. The internal power struggle within the royal family only makes an already volatile situation even more so.

THE SECURITY FORCES

The new South African government fully realizes the importance of having security forces deemed legitimate by the population and firmly under civilian control. The end of apartheid has brought calls for the Defense Force to be centralized and for there to be more transparency in operations. Steps were taken early after the inauguration to rehabilitate the image of the security forces and to gain their loyalty and commitment to the new order. The old South African Defense Force (SADF) is in the process of being revamped and is now known as the South African National Defense Force (SANDF).

The new SANDF is the creation of the combined forces of the former warring parties: the army of the old apartheid state; members of the military wing of the ANC, Umkhonto we Sizwe (Spear of the Nation); a contingent from the Pan Africanist Congress.

made to ensure that black members of the combined force will not be disadvantaged by losses of rank or lack of advancement opportunities.

The focus on the military has sparked a debate on the role of the Defence Force in today's South Africa. The army is now approximately 130,000 strong and generally agreed to be much too large for a country the size of, and with the limited resources of, South Africa. The nation is not at war with any other states and has no foreign military agenda. There is a fear that an army with no national security concerns will turn its attention to domestic issues. In an effort to make them useful, recently the army has been deployed to police the country's borders to stem the influx of illegal immigrants and to work side-by-side with regional police officers in areas particularly rife with crime and violence.

The existence of the "Third Force," a secret and deadly "dirty tricks" unit within the security forces, is still the focus of press and speculation. The former SADF Chief of Staff Lieutenant General Pierre Steyn (now Secretary of Defence) confirmed and documented its existence in what has come to be known as the "Steyn Report." While there has been ample evidence produced that the Third Force operated from within the South African Police Service, the SADF and the Directorate of Military Intelligence, so far, the direct consequences have been limited: the dismissal of several police and army officers and the suspension of others. The former Chief of Staff of the Directorate received early retirement after testimony implicated him ordering the deaths of four anti-apartheid activists. Controversy surrounds the report as Mr. Steyn insists that he presented a written report on

after testimony implicated him ordering the deaths of four anti-apartheid activists. Controversy surrounds the report as Mr. Steyn insists that he presented a written report on his findings to Mr. de Klerk in 1992, but Mr. de Klerk and the three other individuals who have seen the report (including President Mandela) have contradicted one another on whether the report is oral, written, or simply a collection of documents. The Directorate of Military Intelligence has since had its mandate limited to military affairs with the new National Intelligence Agency and the National Intelligence Coordinating Committee taking firm control of intelligence gathering.

Despite the changes that have already occurred, the South African military establishment has maintained a strong bargaining position. The SANDF was granted a R10.600 million budget (four times that of the Reconstruction and Development Program). A further R7,100 million has been committed to integration costs. Additionally, in late August, the ANC nominated Pieter Groenewald to head the select parliamentary committee on defence. Mr. Groenewald is both a former executive of Armscor, a state-controlled weapons company, and a part-time member of the army. He is also a member of the white right-wing Freedom Front Party. While senior officers recognize the need for integration and agreed to some concessions during the negotiation period, such as changing the name of the army, the SANDF's ability to negotiate such a large budget underlines the fact that the GNU is cognizant of the army's considerable strength and its key position in the success of the unifying process.

RECONCILIATION AND RECONSTRUCTION

A critical element in the appeasement of the security forces is the granting of amnesty for illegal acts committed in defence of apartheid. The Amnesty Bill is now before the Parliament. It establishes a Truth and Reconciliation Commission that will investigate, reveal and amnesty "gross" violations of human rights committed between March 1, 1960 and December 6, 1993. Reparation would be made to victims or their relatives, and amnesty would be granted to perpetrators whose acts had a "political object" and who cooperated fully with the Commission. By bringing to light the extent of these violations, identifying injured parties, and by compensating or making restitution to such parties, the Commission hopes to facilitate the national healing process and to prevent the recurrence of similar crimes.

Under the "Amnesty Bill," three committees will be established to service the Truth Commission in fulfilling its mandate: a Committee on Human Rights Violations, a Committee on Amnesty and a Committee on Reparation and Rehabilitation. The "Truth Commission" will have wide ranging powers including investigatory powers; the ability to summon witnesses and to order state employees to produce relevant documents, objects and files; and to search for and seize such documents, objects and files without prior notice if it has "reasonable grounds" to believe that relevant information may be "destroyed, altered or otherwise rendered inaccessible to the Commission."

The Truth and Reconciliation Commission will be comprised of eight to 10 impartial South African citizens, "who do not have a high political profile and who shall be representative of the entire population." A joint committee of members of the National Assembly and Senate will nominate individuals according to the Rules of Parliament. The President will appoint Commission members after joint approval by a majority of the National Assembly and Senate.

Aspects of the Amnesty Bill have been criticized by groups on both the right and the left. There have been concerns raised about the threat of unfair persecution, the cut-off date, conditions placed on amnesty, and the possibility of rights violations committed by ANC members not being addressed. Those supporting the extension of the cut-off date include white extremists who killed 21 people in a series of bombing attacks three days before the election and Inkatha supporters who committed other violent acts which threatened the election. Human rights organizations have expressed concern regarding the lack of incentives for witnesses to come forward and the fact that the establishment of the Commission will force the closure of important investigations currently in progress. Despite the debate, Mr. Mandela is determined to proceed with the Truth and Reconciliation Commission with the expectation that it will acknowledge the gross wrongs which have been committed to an incalculable number of individuals over several decades.

The Reconstruction and Development Program (RDP), is the centerpiece of the ANC led effort to address the worst legacy of apartheid, the vast number of South Africans living

in poverty and despair. This is a massive undertaking, especially when the infrastructure to implement this plan (in most cases) has to be created or totally revamped. Five primary areas of focus have been pinpointed: urban renewal, rural development, democracy and institutional change, urban development and, finally, technical and statistical development. To date, the RDP has committed itself to building one million houses over a five year period. It has launched a program which provides free medical care to children under six and to pregnant women. It has developed a school meals program and has electrified over 100,000 homes. President Mandela has outlined a variety of projects under development including plans to restore or improve water and sanitation systems, especially in the townships; and plans to institute educational programs for South Africans of all ages. The latter project includes rebuilding and repairing schools which may not have roofs, blackboards, running water or adequate academic material. Mr. Jay Naidoo, the minister overseeing the Reconstruction and Development Program hopes that it will be a coalition or partnership between the Government, civic and religious organizations, unions and other members of the society.

The Government has also refined its plans to make restitution to individuals and communities whose land was confiscated under apartheid laws. Derek Hanekom, Land Affairs Minister, predicts that the process of returning confiscated land or making recompense would begin by the end of the year. Mr. Hanekom insists that no property, whether in state or private hands, will be exempt, and that "restitution would not simply involve dumping people on a piece of land. Communities would be given assistance in areas

such as health and agricultural development."

The program is projected to enable 1.4 million South Africans to seek restitution through two new mechanisms. Each province would have a Land Claims Commission office to which claims initially would be brought. If the Commission found itself unable to negotiate a settlement between the parties concerned, then the action would proceed to the Land Claims Court which would operate as a circuit court. Appeals would be heard by South Africa's Constitutional Court and private landowners whose property is returned to claimants would be compensated by the state. The Land Claims Court is expected to begin hearing cases in December and to have heard all claims within three years, according to Minister Hanekom.

CONCLUSION

The most important assessment of the new government's performance to date, is that made by the citizens of South Africa. A Gallup poll conducted between mid-June and mid-July of this year reported that President Mandela received high approval scores from the majority of black South Africans, as well as dramatically improved ratings from white South Africans. On a scale of zero to 10, with 10 being the highest mark, urban black residents gave the President a 9.2 rating. His rating among white South Africans has increased since November of last year from 3.8 to a 6.0. Mixed race urban residents rated Mr. Mandela at 6.9 and Indian residents rated him at 7.0. In describing the President's performance since

his May 10 inauguration, The Star, the major daily Johannesburg newspaper, stated that Mr. Mandela "appear[ed] to have been born for the job, and [had] charmed the nation since" taking office. The so-called "score card" went on to call him an "exceptionally hard worker."

His detractors have mainly been members of his own party, the African National Congress, who have accused him of courting white South Africans and Inkatha members while ignoring his own constituency. Executive Deputy President Thabo Mbeki has received mixed reviews. While he reportedly "retain[ed] his urbane charm and diplomatic capacity," he has apparently been "involved at the sharp end of thrashing out desperately needed new policy frameworks." Deputy President de Klerk, leader of the National Party, has had a comparably lower profile since leaving the president's office while Minister Buthelezi received high marks for his diplomacy in Parliament and the cooperation he has been able to garner from some members of the ANC.

While admitting that there have been challenges to working as a cohesive unit, in a speech marking his first 100 days in office, President Mandela said that "to present a facade of unity . . . would be artificial, undemocratic and patently pretentious." However, he assured the public that the "Government ha[d] brought together bitter enemies into a constructive relationship." That is a strong and propitious beginning for the new South Africa.

Thank you Mr. Chairman.

Prepared statement by

MICHAEL CHRISTIE,

Director, Washington Office, South Africa Foundation

to the
AFRICA SUB-COMMITTEE of the
HOUSE FOREIGN AFFAIRS COMMITTEE

OCTOBER 4TH, 1994.

Mr. Chairman,

The United States Ambassador to South Africa recently made the observation that democracy is a process - not a document. It is of course a vulnerable and often untidy process - particularly in a transitional society like South Africa, where the experience is new. But six months into our new democracy, the process is working and, what's more, it appears resilient. The following factors are relevant to this assessment.

- South African democracy has emerged at a time when the experience of societies throughout the world and, indeed, in South Africa itself, has demonstrated the economic and social costs of systems driven by ideology.
- South Africa is being well served by its leadership. The statesmanship of Mr. Mandela has set a unifying tone for the whole country, and there is particular confidence in his two deputies and in those Ministers who control the key financial portfolios. This is helped by the continued independence of the Reserve Bank and its Governor Dr. Stals. But sound and co-operative leadership has also been demonstrated in other sectors such as business and the Churches. As a consequence a broad national consensus appears to have developed.

- This consensus has coalesced around the goals of the government's Reconstruction and Development Programme (RDP). While the RDP remains a statement of intent, rather than an economic programme, the recent RDP White Paper reflects a shift from the sociological tone of earlier documents towards a stronger reliance on the principles of market economics - in line with the generally sensible approach the Government has adopted on economic matters. Most important of all, the White Paper confirmed that the RDP will not be financed as an add-on to the budget, but as an outcome of the restructuring of government expenditures in a more disciplined and productive manner.

Just about all the major South African business organizations, including the Foundation I represent, have publicly stated their support for the objectives of the RDP. A spokesman for South Africa's largest corporation recently wrote that "South African business certainly supports the goals of the RDP and its underlying thesis, that growth and development are interdependent and need to be the major considerations in all aspects of economic and social policy"

- This consensus is, of course, being driven by the recognition that we have no realistic alternative. But it is also being driven by something less definable, but

equally powerful - the general sense that the nation has a great project; a project that can be shared and that can involve everyone. In policy terms, at least, the slate is clean and we have a shot at creating a successful society out of the wreckage of the past. This is a shared objective, it is invigorating and its force should not be underestimated, even if it has to do with intangibles such as enthusiasm, teamwork and a desire to beat the odds.

We are fortunate that we are still in that stage of our democracy at which we are still stimulated by its possibilities. We have been divided for so long; we have been at odds with ourselves for so long; we have agreed on so few things for so long that we find compromise not limiting but satisfying.

The past few years have given many South Africans the opportunity to discover that their goals are not dissimilar - the reverse of the assumptions of the past. The consequence is that, on matters of policy, there is evidence of an emphasis on consultation.

The questions I would now like to address are;

- what is the evidence of consultation?
- what are the benefits that are flowing from this ?
- are these benefits sustainable?

The whole process that led to the interim constitution and the election is the prime example of what I am referring to. But the process continues not only within the Government of National Unity and its Cabinet but also within bodies such as the newly formed National Economic Development and Labor Commission in which Government, Labor, Business and grass roots political organizations such as the Civics will meet to negotiate on national issues. Discussions are, for example, at an advanced stage on new labor legislation aimed not only at securing proper dispute procedures but also at creating a more flexible and responsive labor market.

The evolution and liberalization of official economic policy has been striking. Nationalization has disappeared from the policy agenda and privatization, once an anathema to the ANC, is now being actively considered in government circles. Government is implementing and even accelerating South Africa's GATT accession terms agreed to last year and, in an act of remarkable political courage, Trade and Industry Minister Trevor Manuel not only reduced import tariffs on textiles but on automotive products, at the height of an emotionally contested strike by auto industry unions. What we are witnessing is an ANC that previously criticized the business establishment from a Marxist

perspective now confronting it on the grounds of free market principles.

It is too early to make firm predictions and substantial problems remain:-

- Crime and personal safety are overriding concerns, even though the political cover for thuggery has now been removed. The morale of the police, the standard of their training and the limitation on available funds are real problems.

- Structural inefficiencies built in to the South African economy during the Apartheid years, the policy of self sufficiency and import substitution, the general mis-allocation of resources, excessive tariff protections and a distorted labor market, will take time to overcome.

- The limitations on domestic economic activity and foreign investment imposed by currency controls have to be measured against fears of an exodus of capital, currency speculation, inflationary effects and foreign currency limitations.

- In the past, labor became accustomed to using political clout to gain advantageous wage settlements while business passed these off as price inflation and lobbied for protective tariffs. These circles are difficult to

break. South Africa has still to become accustomed to a climate of competition and enterprise.

- Of particular concern is the poor state of Government finances. Total Government expenditure has risen from an already high 33% of GDP in 1989/90 to 41% in 1993/94. Public debt and the interest burden have risen along with this. Budget deficits are higher than is healthy for the economy with the Government having little flexibility to reduce these due to pressures for spending on social restructuring and services. The commitment to fund the RDP out of savings from the restructuring of government expenditures is therefore particularly important and will give substance to the stated goal of reducing deficits to marginally less than the levels of the past two years. There is, however, still some evidence that a regimen of financial discipline has not taken hold across the board.

But the fears that were uppermost a year ago, have subsided. Political violence has certainly subsided. Basic services are being maintained, Communist party influences have not become overtly manifest in policy, the right wing threat has not materialized and wage settlements have largely been tied to inflation.

We are moving forward, Mr. Chairman, from a society that was not only morally culpable, it was inefficient and badly managed. The government is determined to change the ground rules, not only socially, but in the economy. Their performance to date should be encouraging to all. The policy improvements I have referred to have not been implemented without opposition and political costs. A culture of entitlement is incipient in South Africa and there are those who still believe that growth and jobs are the product of plans rather than enterprise and investment. But the measures taken are beginning to have their effect and are creating their rewards.

Evidence of this lies in the response of South African business. There has recently been a strong rise in Domestic Fixed Investment, of which around 60% is from the private sector. Capital projects valued at over \$15 billion are already under way, with a further \$10 billion in the planning stage. The effect of this is that the current cyclical upswing in the South African economy differs from previous upswings in the important respect that rising fixed investment, mostly from the private sector, is leading the upswing rather than following it as in the past. These are substantial commitments in an economy no larger, for example, than the economy of the State of Maryland, and therefore represent a significant

vote of confidence by South African investors in the new government.

This confidence was echoed, only yesterday, when South Africa was awarded an investment grade rating from one major credit-rating agency and a notation of 'with a positive outlook' from another agency that withheld an investment grade rating until the South Africa has established more of a track record. This is good news, Mr. Chairman, because, in short, it will reduce the cost of borrowing, and, therefore, the cost of running the country. There is a strong commitment within South Africa to have this split rating upgraded and a determination to build on the sound relationship that currently exists between the business community and those government ministers who are responsible for economic policy.

My conclusion, Mr. Chairman, is that the progress that has been evident in South Africa since the election will be sustained.

Mr. J. Brian Atwood
 Administrator
 United States Agency
 for International Development
 Washington, DC 20523

April 10, 1994

Dear Mr. Atwood,

I am a retired Senior Foreign Service Officer who until last month (March 31, 1994) was the Chief of the Private Sector Division of USAID/South Africa. For purposes of background, I have 30 years of government service, 27 of them with the Agency for International Development. I have been assigned abroad for a total of 23 years, of which 13 years have been spent in Africa -- 11 of them in Southern Africa. In the course of my career I have been decorated three times by the Agency for International Development and once by a foreign government. Prior to AID I served with the United States Peace Corps and the United States Marine Corps.

I am writing to you about serious concerns I have with regard to Agency for International Development program implementation policies and actions in the Republic of South Africa as that country enters a critical period of transition to a democratic, multi-racial society and economy, the outcome of which is of singular significance to the United States.

This letter is being written in the desire to open up a debate that has been stultified in a climate of well-intentioned, but ultimately dysfunctional, policy imposition that has its roots in a desire to do the what is considered the "right" thing in a highly emotional and, for Americans, emotive environment. It is also intended as an effort to reverse specific policy and personnel decisions which I believe were improperly made and have the potential to damage U.S. interests in South Africa and jeopardize the achievement of AID's strategic objectives to assist disadvantaged South Africans.

My motivation for the submission of my concerns and recommendations is strengthened by the fact that I am commencing a retirement career in South Africa dedicated to employing my

experience and skills to the establishment and improvement of mutually-beneficial social and economic linkages between the people of the United States and the people of South Africa, particularly in areas of black economic empowerment. As part of my work I hope to be able to relate to ongoing USAID activities in this area. It is the tremendous potential of these current and future linkages that I believe is being seriously endangered by current Agency for International Development policy initiatives. Let me summarize my concerns.

Summary

This letter addresses certain policy decisions made by the Africa Bureau of AID and imposed upon USAID/South Africa. More specifically, it has to do with the application of U.S. Government minority procurement policies to USAID funded programs in the Republic of South Africa, and the way in which legislation specific to programs in that country is being interpreted and implemented.

While I believe the policy initiatives which I am questioning have been applied to the program as a whole, this letter refers specifically to black economic empowerment programs under the responsibility of the Private Sector Division, for which I was responsible from July of 1992 until my retirement last month.

First, the naturally high level of interest on the part of African-Americans in the evolving situation in South Africa has resulted in minority set-aside legislation being interpreted by the Africa Bureau with such a degree of non-objective fixation that it has begun to endanger U.S. objectives in the region through inappropriate contracting and grant actions.

Secondly, and related to the former issue, the legislated agenda (established by the Comprehensive Anti-Apartheid Act) to focus on empowerment of disadvantaged South Africans is clearly being distorted in interpretation to increasingly exclude work with either multi-racial groups or groups whose origin does not lie in the "African" community (as opposed to the "Colored" or "Asian" communities which are also generally considered to be part of the disadvantaged or "black" population), and thus further endangering U.S. policy objectives for a democratic multi-racial society.

In short, there appear to be distinct, deliberate policy initiatives that are resulting in improper pressure being placed on USAID/South Africa to skew black economic empowerment activities toward assistance activities that are, to the greatest extent possible, exclusively directed at "African" origin South African groups and individuals, and to use African-American contractors and grantees, irrespective of their appropriateness for specific activities. In cases this effort has appeared to lead to the development of activities designed to meet Bureau objectives rather than South African requirements.

One concrete example that these distorted and harmful policy initiatives are negatively impacting on AID's strategic objectives is the process which led to the recent cancellation of the procurement for the "Business Development Support Program" (BUDS), a sub-activity of USAID/South Africa's "Black Private Enterprise Development Project" (BPED - an umbrella activity directed at the disadvantaged South African business sector). Full and open competition for this activity (the centerpiece of a private sector program aimed at South African black business development organizations) was advertised in the Commerce and Business Daily. The activity was subsequently withdrawn from competition at the request of senior management of the Africa Bureau on racially-based grounds.

The objective of this letter is two-fold. First, it is intended to provoke an assessment of the circumstances leading to improper actions, such the cancellation of the BUDS procurement, for the purpose of facilitating a broad review of the Africa Bureau's interpretation of U.S. policy and legislation which I and others believe is inimical to U.S. policy objectives. Secondly, it is to take corrective action that will allow full and open competition for the contracting of the implementation of the "BUDS" project activity as originally authorized by the Mission after serious debate and study, and will address the injury done to a Foreign Service Officer who raised objections to improper actions.

Let me provide you with some of the specifics of the situation.

Background

- Change in leadership;

In mid 1992, shortly after the AID program in South Africa was doubled by the President from \$40 million per year to \$80 million per year, the AID chain of command for what was a unique program in South Africa went through a significant change. The USAID/South Africa Mission Director, appointed as an Ambassador to another African country, was replaced by the Director of the AID/W Office of Southern Africa Affairs (AFR/SA) who was in turn replaced by his deputy. At roughly the same time the USAID/SA Deputy Mission Director was replaced (against her will) by a new Deputy Director. Shortly afterward the Assistant Administrator for Africa was replaced by his deputy, a career Foreign Service Officer. In fact, the entire chain of command extending from the Assistant Administrator to the Deputy Director, and including all relevant geographic office staff, was changed over a very short period of time.

It was my understanding from colleagues in the Bureau at the time (I was the Deputy Director of the East Africa Office before this assignment) that the Africa Bureau was concerned about the "drain" being placed on the Development Fund for Africa (DFA) by the growing South Africa program which was perceived as "political" rather than "developmental". These concerns were apparently exacerbated by the former Mission Director who had the necessary connections to be able to operate independently of Bureau guidance, and who effectively used them. It was widely assumed that the new Director was selected on the basis of his understanding of AID/W concerns and his willingness to follow AID/W guidance, thus getting the South Africa program "back on the reservation". Similarly, it was perceived that the Deputy Director was replaced for having been closely associated with the former Director and to provide the opportunity to have at least one member of Mission management be an African-American.

- Change in Direction;

Shortly after the arrival of the new management team, a Mission retreat was held and was attended

by a number of Africa Bureau staff. During this retreat, which lasted for two full work weeks away from the office, it was made clear by the new management of the Mission and the Africa Bureau that there would be changes in the way the Mission achieved the objectives of the

Comprehensive Anti-Apartheid Act (CAA) directed at the disadvantaged population. Specifically, it was communicated that far too much funding was being directed at what were considered "white-led groups" and not enough to "black-led groups". In other words, the "process" of achieving objectives was as important as the "product". It was made clear by the new AID/W management that the program was expected to become more "Afro-centric" both in terms of South African and U.S. grantees and U.S. contractors. Debate at this retreat centered on the need to keep a balance on a program that was intended to support the emergence of a multi-racial, as well as a democratic society, the capacities of organizations, and the fact that many organizations were, or were becoming, multi-racial. The outcome of the discussion created some uneasiness amongst the professional staff who were advised that if they could not accept the new directions they should leave. It was agreed that discussions on the policy changes would continue. Unfortunately they did not. What followed was continued pressure to de-emphasize support to "white-led" groups and to increase support to "black-led" groups, both South African and American. As program activities continued, considerable debate ensued on what the definitions "black-led" and "white-led" meant. It should be noted that while official guidance remained unchanged with regard to the ethnic background of "disadvantaged" South Africans and eligibility of multi-racial groups or groups trying to become multi-racial in their leadership, the growing bias toward "African" groups was informally and often obliquely expressed during Mission meetings on project activities. Additionally, considerable pressure was placed on staff to use African-American organizations and individuals for program implementation, irrespective of their appropriateness vis-a-vis the activity. Again, the desired course of action would often be made clear, but indirectly, generating an atmosphere of distrust. Over time the pressure to follow the new guidance became particularly intense with regard to activities in the Private Sector as a result of the nature of that program.

New Private Sector Strategy

Prior to the 1992 change in Washington and field leadership, the Private Sector Program focused on grants to black interest groups and micro-enterprise development. In both cases a "foundation" approach was used which provided cash and little else. The impact of this approach had proven problematical, especially with regard to black business interest groups, with a resulting decision to phase out assistance in this area. As the new Mission Director anticipated a significant increase in private sector efforts after the election, we reviewed our approach to

the private sector and decided to expand the program to a more comprehensive one that focused on the goal of "a fully integrated market-driven economy". At the same time it was also determined that the binding constraint facing black private sector development in South Africa was not funding, but international technology, experience and know-how from which South Africa had been

increasingly isolated during the period of Apartheid and related sanctions. The implementation strategy that evolved was to establish a number of intermediary mechanisms that provided South African initiatives across a broad front with "access to U.S. experience, expertise, technology and capital". The intermediary mechanisms provided the advantage of low management requirements despite the development of a wide range of linkages. Most importantly, they were also specifically designed to quickly accommodate program increases in size and changes in emphasis that were expected in the post-elections period.

This new USAID/SA strategy was approved by the Mission and implementation has begun. Its anticipation of changes in the environment and increased resources has facilitated the expansion of private sector activities as part of overall strategy revisions now under way. However, it has experienced a negative reception among those in the Mission and particularly, AID/W who are increasingly focused on channeling resources to "African" heritage South Africans and through small black American firms. They believe that the implementation strategy being used is in direct opposition to what they consider to be the correct course of action. As a result of what I can only assume are non-objective perspectives resulting from the emotional nature of the unique South African situation, these officers have undertaken initiatives against the implementation strategy which I believe have become, at best, unprofessional and which are endangering overall U.S. foreign policy interests in South Africa, and the ability of AID to play a potentially critical role in the creation of a fully participatory, market-driven economy.

Understanding this severe and disruptive divergence of views requires some discussion of the analysis behind the strategy development.

The Problem

Two issues stand out in analyzing how AID can best address the needs of black economic empowerment in South Africa.

First, with regard to the South African environment, it was clear that direct grants to emerging black business interest groups were fraught with difficulty and that such grants could even be counterproductive. The divide and conquer tactics of Apartheid had resulted in a multiplicity of groups that were often in competition with each other. Additionally, because of the extreme strictures placed on black business groups (until 1990 it was illegal for a black to be in any kind of business other than retail township trading of a limited scope), that black business groups had fragile institutional capacity. Finally, the incredibly rapid changes in the political environment were putting these organizations under severe stress as they attempted to adapt to the continually changing environment with leadership splits as personal agendas interfered in the process. Our analysis concluded that in providing black interest groups access to U.S. resources, that it would be best to work through neutral, independent local organizations that had the trust of all concerned and, in some cases, where competing organizations all had membership. The objective was to

provide a common ground, through the offer of access to assets, where we could equitably deal with more than one group and start the process of bringing competing black groups together. Virtually all of these neutral groups, by their nature, are multi-racial.

Secondly, with regard to introducing up-to-date U.S. technology across a broad front, it quickly became clear that to manage the large number of access linkages that could be developed with the level of resources expected, it would be essential to develop relatively large intermediary mechanisms to facilitate these linkages in manner commensurate with the Mission's institutional capacity. The private economic sector was divided into six distinct areas: the informal sector,

the formal sector, the financial sector, the policy sector, business interest groups and the academic sector. At least one comprehensive linkage mechanism was envisaged for each sector. These mechanisms, in most cases, required large, complex technical assistance and training activities in a very complex environment of a type that is not usual to AID, and which reflect the unique nature of the economic development climate in South Africa

The above factors led to an implementation strategy that resulted in Private Sector projects moving from smaller individual activities to the development of significant umbrella grants to multi-racial local groups and in large, comprehensive technical assistance contracts which were considered by our U.S. and South African technical consultants (many of them black) to be beyond the capacity of small and disadvantaged U.S. consulting firms. The Private Sector Division tried to explain to its critics that these were intermediary implementing mechanisms (which we fully expected to be implemented by consortiums with significant African-American participation) that would enable us to more effectively reach a greater number of black groups in both South Africa and the United States. For example, the intermediary mechanisms would be responsible for facilitating a number of linkages between black South African organizations (such as the Association of Black Accountants of South Africa) and their U.S. counterparts (such as the National Association of Black Accountants). The number of linkages we could effectively manage through this process would be greater, and would include U.S. black organizations not normally involved in international development. Further, a concerted effort to use African-American firms in strategy development was made, and some six AID/W funded African-American activities were involved in the development of the strategy.

Nonetheless, opposition grew more vocal and reached a high point in December of 1993 when the Private Sector Division presented the complete strategy and the entire implementation plan for FY 1994. During the course of the meeting, (which ended in full approval of the strategy and the Action Plan), members of the Director's staff openly and emotionally accused the Private Sector Division of deliberately not assisting black South African groups and deliberating circumventing the use of African-American (8a) firms. This emotional outburst is illustrative of the inability or unwillingness of some senior staff to openly discuss their concerns with implementation strategy and attempt to reach a solution through professional dialogue.

However, more disturbing occurrences, leading to the decision to write this letter, began during your visit to South Africa, accompanied by senior members of the Africa Bureau management.

Washington Involvement and Its Impact

I believe there is clear and convincing evidence that meetings between Africa Bureau management officials and Mission management during your visit set off a chain of events that have a continuing negative impact on U.S. interests in South Africa and the ability of AID to make the kind of contribution to South Africa's transition to a multi-racial, market-driven democracy that AID can make. Specifically, I believe the Mission was informed that the implementation methodology for the Private Sector Strategy was unacceptable and had to be redirected, and that the Private Sector Division was racist and had to be replaced.

Further, I believe that the capitulation to this "guidance" on the part of the Mission Director encouraged members of his staff who were emotionally opposed to that strategy to redouble their efforts, leading some of them into unprofessional activities. This opinion was reinforced in a personal conversation with a senior member of the Africa Bureau in which it was made clear that in his mind there indeed was a differentiation between "African" and other disadvantaged South Africans and that black South Africans would have to learn to accept that disadvantaged black American organizations were going to be used for technical assistance and training.

Those events which, I believe, all relate to the discussions mentioned above, include the following; all of which occurred between the meetings at the time of your January visit and my retirement in March:

- The cancellation of the Commerce and Business Daily notice of the Request For Proposals for the "BUDS" sub-project of the BPED Project (this will be discussed in detail below).
- The sudden termination of the second tour of my deputy, (Mr. Paul Neifert) without advice to, or consultation with (or the concurrence of) his first and second level supervisors. This, with other upcoming departures, resulted in the complete elimination of the staff responsible for the development of the strategy, and occurred shortly after a senior AID/W official remarked to a Mission Foreign Service Officer that the Africa Bureau considered the Mission to be "full of white racists".
- The recent (untrue) advice to the above officer that his assignment was being curtailed principally because of his negative involvement in the implementation of the new strategy.
- The negative reception by the Mission Director of a senior member of a multi-racial U.S. foundation which had submitted a grant proposal (following an earlier encouraging letter to the foundation from the Director which welcomed the proposal).
- The virtual exclusion of the Division Chief from meetings between the Mission Director and

representatives of organizations involved or interested in the Private Sector program (following the similar exclusion of the Division Chief's supervisor in the weeks prior to his own premature departure).

- Overturning of a recruitment decision for a PSC staff member and complete exclusion of the Division Chief from participation in the identification and
- selection of the complete new staff for the Division.
- A report from the Executive Director of a (multi-racial) grantee that a senior member of the Mission staff had made offensive remarks about the Division's commitment to Black private sector organizations and that corrective steps were being taken.
- A report from a principal U.S. contractor representative that he had been advised by an executive of a local counterpart organization that a senior member of the Mission was "trying to use certain groups against (the contractor's program)".

The process leading to the cancellation of procurement for the "BUDS" project activity exemplifies the problem of improper AID/W impositions on the Mission that reached a high point during the period Africa Bureau staff visited the Mission as part of your delegation.

The Business Development Support (BUDS) sub-project

The BUDS program was developed as the first new activity under the revised strategy for the post-elections period and was designed, inter-alia, to allow expansion if additional funds were made available (it had a design capacity of \$25 million). The activity was developed by a team of U.S. and black South African experts and was ready for tendering in May of 1993. It was seen as the centerpiece of the new program as its intent was to provide assistance to the full range of black and black oriented business development organizations in the private and NGO areas and, after elections, government organizations. Its importance was increased when it was decided, due to their increasing importance, to include at least initial assistance to black business interest groups until a separate mechanism could be developed.

In May of 1993 when the activity was ready for Mission clearance and tender, an agonizing debate commenced within the Mission between the Director's staff which wanted to bid it as an (8a) set-aside and the technical staff who, on the advice of both the U.S. and South African design personnel, the General Counsel, and the Office of Procurement, two Regional Contract Officers, as well as U.S. contacts familiar with 8a firms, were convinced that full and open competition (with a scope of work that encouraged both U.S. African-American and South African black participation) was essential because of the size and complexity of the program. At one point a number of leading black South African business development professionals who had been associated with the design met with the Director to plead for full and open competition. (Their argument, as is the argument of many black South Africans, was that the importance of the transition process is so great that they are only interested in obtaining the best support possible through a competitive process.) A

compromise was reached which would have included Gray Amendment firms of any size, but that was ruled out by AID/VV procurement officials. The decision was finally made in November, six months after design, to proceed with full and open competition and the project was turned over to the Contract Officer and was duly advertised in the Commerce and Business Daily.

During your visit in January, senior Africa Bureau management met extensively with Mission management. One outcome of these meetings, as confirmed to me by the Director, was that he was convinced to cancel the procurement of the BUDS project for "policy" reasons having to do with "domestic politics". It is important to note that no technical staff members participated in the deliberations or the decision. The CBD notice was canceled, with the Private Sector Division accidentally becoming aware of this some time later during the course of discussion of a separate issue. My immediate superior, the Director of the General Development Office was subsequently advised of the situation by myself. It is also important to note that despite the agreed upon importance of the activity, it was shelved. (The Director subsequently offered to tender it as an (8a) set-aside if I concurred, but I could not.) The activity remains in limbo, almost a year after it was designed. Had it proceeded on schedule, it would have been operational now, and ready to quickly respond, as it was designed to do, to the U.S. Government's intention to increase support to the development of a fully integrated, market-oriented economy. Instead, it has contributed to a growing level of concern in South Africa about the value of U.S. assistance to the private sector.

IMPACT

The growing imposition of inappropriate Africa Bureau guidance has had a number of effects that negatively impact on U.S. interests.

- We have lost, at least temporarily, the ability to develop a critical mass of effective linkages between South African black business organizations and their U.S. counterparts during the critical early period of the transition process. Similarly, we are now limited in our ability to expand assistance to black business development organizations just when the opportunity to provide essential, timely assistance is opening up.
- A number of small black South African firms planning to join with larger U.S. ones to bid on the BUDS contract, who began making commitments with the issuance of the CBD notice, found themselves exposed and embarrassed in the local professional community. I understand there were also consortiums between black and white American firms forming, including one Gray Amendment firm acting as the lead bidder.
- To much of the broader black business community (with the notable exception of a few individuals who make a living off the donor interface) the action fed growing concerns that the primary interest of USAID was the domestic U.S. black community. This issue is a very sensitive one, especially (but not exclusively) in the black professional and business community. Many see U.S. set-aside procurement in assistance programs as being too closely associated with the racial separation they are now trying to eliminate, and as blocking

them from the best the United States has to offer in their quest for a viable multi-racial economy and society.

While they clearly see the value of working with black U.S. organizations, they wish to be in control of how that relationship is conducted, and are very suspicious of perceived gatekeepers.

In summary, black South African firms have lost out, the black business development community has lost out, black American organizations have lost out -including a number not heretofore involved in international development, and U.S. policy interests have suffered. There have been no winners in this ill-conceived initiative to channel U.S. assistance in accordance with personal agenda rather than in accordance with the needs of a South Africans who are committed to a still risky process of change that is of such importance to all of Africa.

Recommendations

While this letter has focused on the impact of Africa Bureau guidance on private sector programs, conversations with officers in other technical divisions indicate that my concerns are shared by others in regard to their programs. I understand that AID/W is sending a Management Assessment Team (if that is the correct term) to USAID/South Africa to address a broad range of management concerns at the Mission. However, I believe that the problem is not just a local management problem but a much broader policy problem that originates in Washington. It is a policy problem that is clearly related to America's emotional linkage to the situation in South Africa, particularly on the part of African-Americans. While emotional involvement is understandable, I believe that at least in the case of assistance in the restructuring of South Africa's economy, that it has reached levels that have unduly influenced policy guidance and individual behavior and placed policy objectives at risk. I believe that the above information presents a convincing case that this is indeed true and that corrective action is therefore warranted.

I recommend that if the findings of your assessment team support the information provided above, that you, inter-alia, take the following actions:

1. Initiate a review of how the Africa Bureau and the Mission have implemented their responsibilities with regard to making and implementing policy to achieve U.S. interests and Agency goals in South Africa, and provide additional guidance to the Bureau as required.
2. Direct USAID/South Africa to implement its Private Sector Strategy in accordance with its professional determinations, in the context of normal delegation and consultation, including the issuance of a Request for Proposals for the Business Development Support Activity.
3. Ensure that the career of Mr. Paul Neifert, my subordinate in the Private Sector Division of USAID/South Africa is not jeopardized by his willingness to point out problems that others, including this writer, could clearly see but were unwilling to tackle so forthrightly; but rather that his courage be recognized in a manner appropriate to the circumstances. (You are aware of the circumstances of his situation from other sources.)

In closing I would like to emphasize one point. The vast majority of staff at USAID/South Africa have behaved in an admirably professional manner throughout this period of difficulty. There are no white racists in USAID/South Africa. There are a lot of fully committed professionals. Every officer fully understands and supports Agency objectives in supporting small and disadvantaged business and is committed to ensuring our programs impact directly on our target population, the disadvantaged population of South Africa. Where they have had disagreements with Mission management and the Africa Bureau, it has been with regard to their professional responsibility to objectively factor in all policy and program considerations in their actions and the advice they provide management. With appropriate policy guidance they will do an outstanding job in implementing the kind of program envisaged for USAID/South Africa in the challenging and exciting post-elections transition process.

Thank you for your willingness to consider my concerns.

Sincerely,

Harry R. Johnson
Senior Foreign Service Officer (retired)

Letters to the Editor

A 11

Aid to South Africa Isn't Race-Based

In response to Simon Barber's Aug. 25 editorial-page opinion piece "Our Gift to South Africa. More Racial Preference" it is important to put the United States government's assistance to South Africa in perspective.

Over the past 10 years the U.S. has provided \$420 million in assistance to South Africa, mainly through indigenous nongovernmental organizations. These funds supported the peaceful struggle against apartheid, the preparation of disadvantaged South Africans for leadership in democratically elected government and the transition to democratic rule. The program has been implemented under the legislative mandate of the Comprehensive Anti-Apartheid Act of 1986. To carry out the program, the U.S. draws upon the expertise of a wide range of diverse groups in South Africa and in America. Diversity is a particular strength of U.S. programs in South Africa, fully consistent with the affirmative action and participator policies of the new South Africa.

Mr. Barber incorrectly states that it is "the policy of the U.S. government that the portion of South Africa funding that is not channeled directly to South Africans . . . should be passed exclusively through African-American contractors." The U.S. follows long-standing legislation and policy aimed at increasing the contracting opportunities for women- and minority-owned firms. This policy is applied in South Africa as well as in other countries where the U.S. Agency for International Development is involved. We are proud of our record in South Africa, which has seen the involvement of a wide range of groups, including African-American entities.

Since 1984, the "Gray Amendment" has required that not less than 10% of the agency's development assistance funds be made available for a wide array of disadvantaged enterprises, including historically black colleges and universities. The

past three U.S. presidents, including President Clinton, have issued executive orders to support such enterprises. The U.S. Congress has recognized the special contribution such institutions can bring to development challenges. USAID firmly believes that these institutions have much to offer and should have an opportunity to participate in our economic assistance programs in South Africa and world-wide. However, these institutions are not used to the exclusion of others. The program in South Africa effectively uses the services of several large U.S. universities and will continue to do so.

Mr. Barber's description of USAID's project to assist South Africa's black universities is inaccurate. South African universities are not obliged to use historically black colleges and universities if they wish to receive U.S. assistance. Decisions are made jointly between USAID and local universities.

Last year less than 6% of USAID's total assistance to South Africa was delivered through African-American organizations. The organizations were chosen not because of race, but because of their proven ability and expertise. In fact, three-fourths of all U.S. assistance to South Africa is channeled through local South African nongovernmental organizations.

Last May, President Clinton announced a three-year, \$600 million package for assistance to the new democratically elected government of South Africa. The program will support the reconstruction and development program of the new government, continue U.S. support for nongovernmental organizations, township electrification, job creation, health, education and democracy/governance.

JOHN F. HICKS
Assistant Administrator for Africa
USAID

Washington

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